



ADDIS ABABA UNIVERSITY  
SCHOOL OF COMMERCE  
DEPARTMENT OF MARKETING MANAGEMENT

**The Effect of Internal Marketing on Service Quality: An Empirical Study of the Banking Industry in Ethiopia**

A Thesis Submitted To School Of Graduate Studies of Addis Ababa University School of Commerce in Partial Fulfillment of the Requirements for the Degree of Master in Marketing Management

BY  
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BY

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## **DECLARATION**

I, Meti Desalegn declare that the thesis entitled “The Effect of Internal Marketing on Service Quality: An Empirical Study of the Banking Industry in Ethiopia” is my original work. Moreover, this study has not been presented for any other program or university and that all sources of material used have been acknowledged accordingly.

Meti Desalegn

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## **CERTIFICATION**

This is to certify that Meti Desalegn has carried out his research work on entitled “The Effect of Internal Marketing on Service Quality: An Empirical Study of the Banking Industry in Ethiopia” for Partial Fulfillment of the Requirements for the Degree of Masters of Arts in Marketing Management at Addis Ababa University School of Commerce. This work is original and it is suitable for submission of Masters of Arts in Marketing Management.

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First of all I would like to thank GOD for everything he has done for me. I would also like to thank my advisor DR Mulugeta G/Medhin for his for his guidance and valuable advice. Finally, I must express my very profound gratitude to my parents and to my coworkers for providing me with unfailing support and continuous encouragement throughout my years of study and through the process of researching and writing this thesis. This accomplishment would not have been possible without them. Thank you

## ABSTRACT

*The purpose of this paper is to explore the effect of internal marketing on service quality in the Ethiopian banking industry. To investigate such effect, most commonly used dimensions of internal marketing which was communication, motivation; training and job satisfaction have been identified and used within this study. The research is designed as descriptive and explanatory and the research approach followed is quantitative. The target population of the study was employees of the four selected banks i.e. CBE, Awash Bank, CBO and ADB. The data was collection through structured questionnaire. Several analytical techniques were used to assess the relationships among the variables under investigation such as Pearson correlation, multiple regressions. The application used to analyze and examine the hypotheses is the SPSS V20. The findings of this study have shown a significant effect of internal marketing dimensions on service quality at the level of ( $\alpha \leq 0.05$ ). The entire IM dimension in this study was positively correlated with service quality. The regression result shows that the adjusted R Square value was .555 and this implied that IM dimensions (predictors) accounts for 55.5% of the variation in service quality which is significant and 44.5% are other extraneous variables that can affect service quality. Only communication, training and job satisfaction are predictors of internal marketing with beta value of .314, .242, and .116 respectively that have positive contribution for the variation in service quality. Therefore, it is recommended for Ethiopian banks to fully implement internal marketing principles to increase service quality as it is one of the competitive advantages banks could have over their competitors' in the industry.*

*Key words: internal marketing, service quality, communication, motivation, training, job satisfaction*

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## **ACRONYMS**

IM = Internal Marketing

SQ = Service Quality

CBE = Commercial Bank of Ethiopia

CBO = Cooperative Bank of Oromia

ADB = Addis International Bank

NBE = National Bank of Ethiopia

SPSS = Statistical Package Software for Social Science

# CHAPTER ONE

## INTRODUCTION

### 1.1 Background of the Study

The service sector along side with manufacturing is becoming very important in many countries. Recently the service economy has undergone many changes throughout the year. In present era companies follow a customer oriented marketing strategy where customers are part of the production and buying process of products. Customers no longer simply purchase the products, they co-produce (Prahalad & Ramaswamy, 2000) and this participation of employees and customers in the buying process has led to the emergence of internal marketing, based on the fact that the organizations have to keep their employees (internal customer) happy and satisfied to ensure satisfaction of their customers (Hoffman and Bateson, 2011; Rafiq and Ahmed 1995).

The concept of internal marketing was first introduced by berry in 1981. Internal marketing is a set of activities directed towards viewing employees as internal customers and viewing jobs as internal products to satisfy the needs and wants of these internal customers (Berry, 1981; George,1990; Cahill,1996; Hult ; 2004). In addition to these explanation different scholars has also explained the concept of internal marketing. Gronroos (1981) defines it as “selling the firm to its employee” Parasuraman, Berry, and Zeithaml (1991) stated that internal marketing is attracting, developing, motivating, and retaining qualified employees through job-products that satisfy their needs. Internal marketing is the philosophy of treating employees – indeed, wooing employees and is the strategy of shaping job products to fit human needs (Cahill, 1995).

The aim of internal marketing is creating employees that embody customer oriented behavior which will help the organization achieve service quality which also leads to customer satisfaction. In order to have an effective internal marketing organizations strategy must include different types of activities such as trainings, development opportunities, motivations, recognitions and other activities that will satisfy the need of employees. Studies show that satisfied employees cooperate, are enthusiastic and committed to their job which gives an organization a competitive advantage on their market offerings. There for Main assumption of internal marketing is that employees must be viewed as the most invaluable asset of an

organization and must be treated as internal customers because this result in gaining competitive advantage by organization respected (Papasolomou, 2002).

As service sector grows the concept of service quality and how to attain it is becoming an important subject to duel on. Service quality is an elusive, indistinct and abstract concept (Sachdev and Verma, 2004). Parasuraman, Zeithmal and Berry, (1988) described service quality as a global judgment or attitude relating to the superiority of the service and it continues to increase in importance as service industry grows and outnumbered manufacturing organizations (Storbacha, Strandvik and Gronroos, 1994).

According to the Ethiopian national bank 2017/18 annual report the Ethiopian economy has grown by 7.7% .This growth was attributed to 12.2 percent rise in industrial output, 8.8 percent expansion in service sector and 3.5 percent growth in agriculture. The sector has also increased its share of contribution in GDP. The service sector share has increased from 38.8% in 2016/17 to 39.2% in 2017/18.

The banking industry is one of the major parts of the service sector and it has grown more competitive than ever before in history. With the emergence of new banking technologies and the growth of the industry banks are eager to find a competitive advantage over the other and achieving service quality is one of the important ingredient that give banks the advantage they need to get to the top.

The Ethiopian financial sector has remained safe, sound, well capitalized and profitable (NBE, annual report 2018). According to this report the banking sector has been increasing in the past years. Commercial banks opened 500 new branches in 2017/18 alone which increased the total number of branches to 4,757 from 4,257 a year ago. The banks also increased their deposit mobilization by 23.6 %, loan collection by 14.9% and loan disbursement by 5.9%. The Ethiopian banking sectors currently hosts nineteen banks including two state owned banks and sixteen private banks.

Hence this research is conducted to examine the impact of internal marketing has on service quality in the Ethiopian banking industry.

## **1.2 Statement of the Problem**

Internal marketing is concept about achieving service quality in an organization through satisfied employees. The satisfaction of employee needs, as the internal customers of the business, implies that a business should be in a better position to deliver the quality desired to satisfy external customers. Implicated in this is the assumption that fulfilling employee needs enhances employee motivation and retention, and as a consequence the higher the degree of employee satisfaction, the higher the possibility of generating service quality (Zampetakis and Moustakis, 2007 cited in Roberts-Lombard 2010).

Researchers argue that the success of a business especially in service delivering firms depends on how well they treat their employees. According to Gounaris (2008) and Ahmed and Rafiq (2003) internal marketing is a managerial approach that ensure service quality which brings customer satisfaction through the fulfillment of employee needs.

Even though, internal marketing play a vital role in bringing service quality, this area has not been well researched in our country and needs much more investigation. To the best of my knowledge Prior research done locally includes studies conducted for the purpose of investigating the effect of internal marketing on customer service quality in Ethiopian airlines and commercial bank of Ethiopia. All of these researches are case studies conducted on single originations therefore the application of their research findings are questionable.

Because of the lack of extensive research conducted in this field the study aims at studying the impact of internal marketing on service quality in Ethiopian banking industry. The finding of this study could be generalized to the banking industry since it looks at more banks than the prior studies therefore this study will contribute to the theoretical and empirical knowledge gap on internal marketing in the Ethiopian banking industry.

## **1.3 Research Question**

### **1.3.1 Main Research Question**

- How does internal marketing affect service quality in Ethiopian banking industry

### **1.3.2 Sub- Research Questions**

1. Does communication affects service quality?
2. Does motivation influence service quality?
3. Does training affect service quality?
4. Does job satisfaction affect service quality?

## **1.4 Research Objective**

### **1.4.1 General Objective**

The aim of this study is to examine of the effect of internal marketing on service quality of Ethiopia's banking industry.

### **1.4.2 Specific Objective**

1. To investigate the effect of communication on service quality of Ethiopia's banking industry
2. To examine the influence of motivation on service quality of Ethiopia's banking industry
3. To determine the effect of training on service quality of Ethiopia's banking industry
4. To examine the influence of job satisfaction on service quality of Ethiopia's banking industry.

## **1.5 Significance Of The Study**

Considering the growing banking industry and customers requirement the study in to internal marketing is an important factor that can bring the service quality which has many benefits stated earlier therefore it's very important to know the factors that affect it and to measure it. The study will be significant for those banks who strives brining service quality in their daily operation. It gives an over view for banks on how to achieve service quality through the satisfaction of their employees and how internal marketing factors such as communication, motivation, training and job satisfaction has an impact on the quality of service delivered by employees that receive them.

## **1.6 Scope of the study**

This research is conducted to assess the effects of internal marketing on service quality in the case of the Ethiopian banking industry. Since it is cost and time consuming the research could not include all banks in Ethiopian. Instead banks were classified in to 2 clusters depending on ownership which is private and government owned banks. There are two government owned banks CBE and DBE from the two CBE was selected. CBE was selected because it is the largest bank in Ethiopia in almost all aspects.

There are different methods and criteria for ranking banks such as number of employees, number of customers, number of branches, capital and so many other fanatical and non fanatical criteria. In this research banks are classified from top to bottom ranking based on a five year registered capital data see (appendix 6).

To select 3 private banks from the 16 a five year annual report of capital is used. Therefore based on these data Awash bank is selected to represent the top ranking privet banks, CBO is selected to represent middle ranking banks and ADB represent the bottom ranking banks. These three privet banks are randomly selected. Therefore the study assesses the effect of internal marketing on service quality in the banking industry through this four selected banks (CBE, Awash Bank, CBO and ADB).

In order to study the effects of internal marketing on service quality these research tries to gather insight about the banks internal marketing practices and the quality of service delivered from the employees of this banks. Since the combined number of employees of the banks is very large it will be time and cost consuming to contact all of them, therefore study has selected employees from four branches from each of the bank. The study should also be geographically limited in order to be cost and time effective. Therefore the four branches that are selected from each bank are branches located in Addis Ababa and outline branches locate south of Addis Ababa.

The scope of the study is also conceptually limited. This research only looks at certain IM and service quality dimensions. Different scholars have come up with different dimensions that can measure the effectiveness of internal marketing and service quality. There are many internal marketing dimensions such as Organizational structure, senior leadership; Physical environment; Staffing; Selection and succession; Inter-functional coordination; Employment assurance; Employee empowerment and so many others. Even though there are many IM dimensions this study will only focuses on the dimensions that are frequently mentioned by the authors such as communication, job satisfaction, training and development and motivation are selected to measure internal marketing.

Just like internal marketing there are different service quality measuring dimensions such as Tangibles, Reliability, Responsiveness, Competence, Courtesy, Credibility, Security, Access, and Communication, Understanding the Customer and etc. from the above mentioned service quality dimensions Tangibles, Reliability, Responsiveness and assurance are used to measure service quality.

Thus the scope of the study is expected to be broad enough to represents the banking industry well.

### 1.7 Definition of Key Term

- **Internal marketing** ;- Internal marketing is a set of activities directed towards viewing employees as internal customers and viewing jobs as internal products to satisfy the needs and wants of this internal customers (Berry, 1981; George,1990; Cahill,1996; Hult 2004).
- **Communication**: - A general concept that covers the communication and feedback between executives and employees, horizontal and vertical communications, work related information and communication among departments. Engin & Akgoz (2013)
- **Training and development**: - Training is systematic development of the knowledge, skills and attitudes required by an individual to perform adequately a given task or job. Training and development is designed activities from the environment that provides employees the opportunity from employers side with the purpose of enhancing the level to develop and learn new skills for their development of knowledge and skills or to modify the behaviors. Armstrong (2001)
- **Job satisfaction**; - is set of favorable or unfavorable feelings and emotions with which employees view their work. (Newstrom & Davis, 1997)
- **Motivation**: - The development of desire within an employee to perform a task to his/her greatest ability based on that individuals own initiatives. Rudolf and Kleiner (1989, p.1)
- **Service quality**: - service quality is a global judgment or attitude relating to the superiority of service (Parasuraman, Zeithmal and Berry, 1988)

## **1.8 Organization of the study**

The study was organized into five major chapters. The first part was an introductory part composed of background of the study, research problem, research questions, research objective and significance of the study. The second chapter dealt with related literature reviews and conceptual framework and hypothesis development. The third chapter was about the research methodology used and research design, sampling techniques and others was described. In the fourth chapter the findings and analysis was presented and finally the last fifth chapter was discussed the summary of major findings, the conclusion, recommendations, limitation of the study.

## **CHAPTER TWO; REVIEW OF RELATED LITERATURE**

The literature review of the study briefly discusses the concept of internal marketing and service quality and analyzes the relationship between the two. The literature review contains three parts theoretical, empirical and conceptual review.

### **2.1 Theoretical Review**

#### **2.1.1 Models of Internal Marketing**

According to Tansuhaj (1988) in service marketing, the employee plays a central role in attracting, building and maintaining relationships with customers (as shown in Figure 2.2) The model shows the linkage between internal marketing (recruitment, training, motivation, communication, and retention) and the more traditional external marketing activities (pricing, advertising, and personal selling). It also puts forward how the integrated marketing elements, like employee attitudes and behavior, and customer attitudes and behavior enhance customer loyalty, satisfaction and perception of quality the goal is to meet customer needs, since the value of the service is in satisfying those needs.

Greater attention to employee customer interactions can result in an increase in perceived service quality, customer satisfaction, and repeat purchase behavior of service customers. According to the model, an internal marketing program influences employee attitudes and behavior, which in turn influence the impact of external marketing towards the customer.

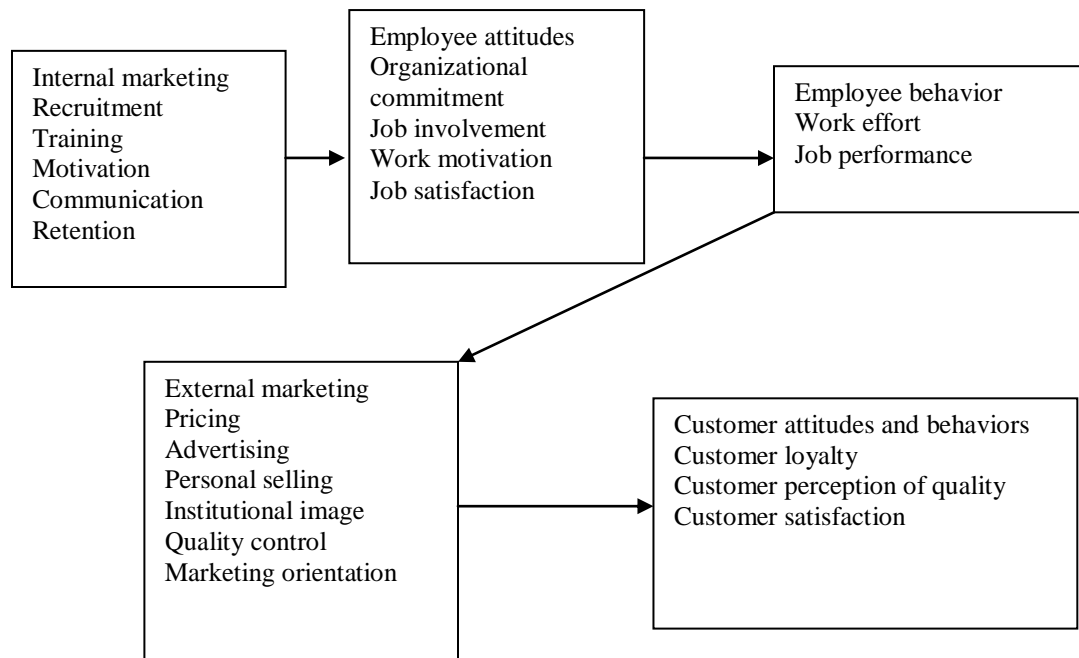


Figure 1 A model of services marketing management Source: Tansuhaj (1988)

External marketing activities are generally divided into external service quality, external customer satisfaction and specific/individual competencies. In service firm, it is generally believed that a marketing plan composed of external marketing activities largely determines consumer satisfaction. However, in service organization the implementation of this plan depends, to a great extent, on the activities of the employees. M. B. & Sharma, B. (2001) attempted to develop and sustaining an organizational culture that emphasizes internal customer well-being as a means to attract and retain external customer patronage. They propose a model that relates six key internal marketing practices to external customer satisfaction and loyalty, mediated by internal customer attitudes (i.e. loyalty to the firm, job satisfaction, trust in management) leading to extra role behaviors directed at external customers. Kotler (2000) explains that internal marketing is more important than conventional external marketing. Further, Greene, W. E., Walls, G. D. & Scbrest, L. J. (1994) point out that internal marketing is the key to excellence service and successful external marketing.

Tansuhag, Randall, & McCullough (1998) explore the linkage between internal marketing activities (directed at employee recruitment, training, motivation, communication, and retention) and the more traditional external marketing activities (e.g., pricing, advertising, and personal selling). An examination of the relationship between the key elements of the service marketing

management model (internal and external marketing, employee attitudes and behavior, and customer attitudes and behavior) demonstrates how service managers can enhance customer loyalty, satisfaction and perception of quality. They argue that the internal and external elements of the marketing program of service firms are closely interrelated.

The concept of internal marketing was first introduced by Berry in 1981. In his 1981 model for external marketing Berry explained the importance of treating employees as internal customers and viewing jobs as internal products that will satisfy the needs and wants of their employees. According to this model the main purpose of internal marketing is achieving employee satisfaction. Employee satisfaction leads to service quality which will create customer satisfaction and sustainable competitive advantage for the firm.

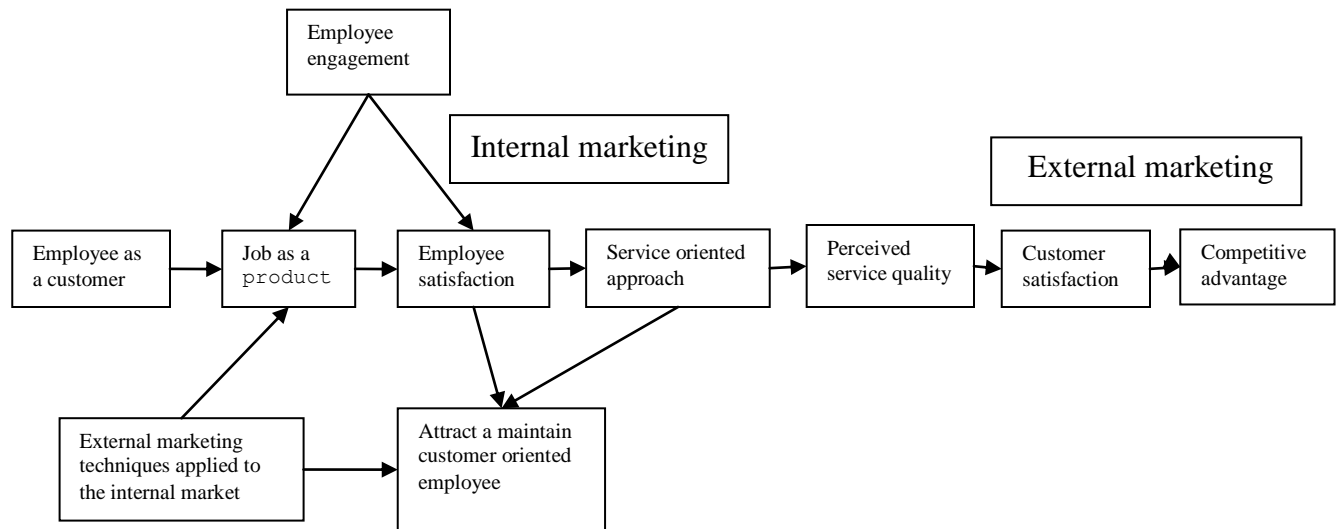
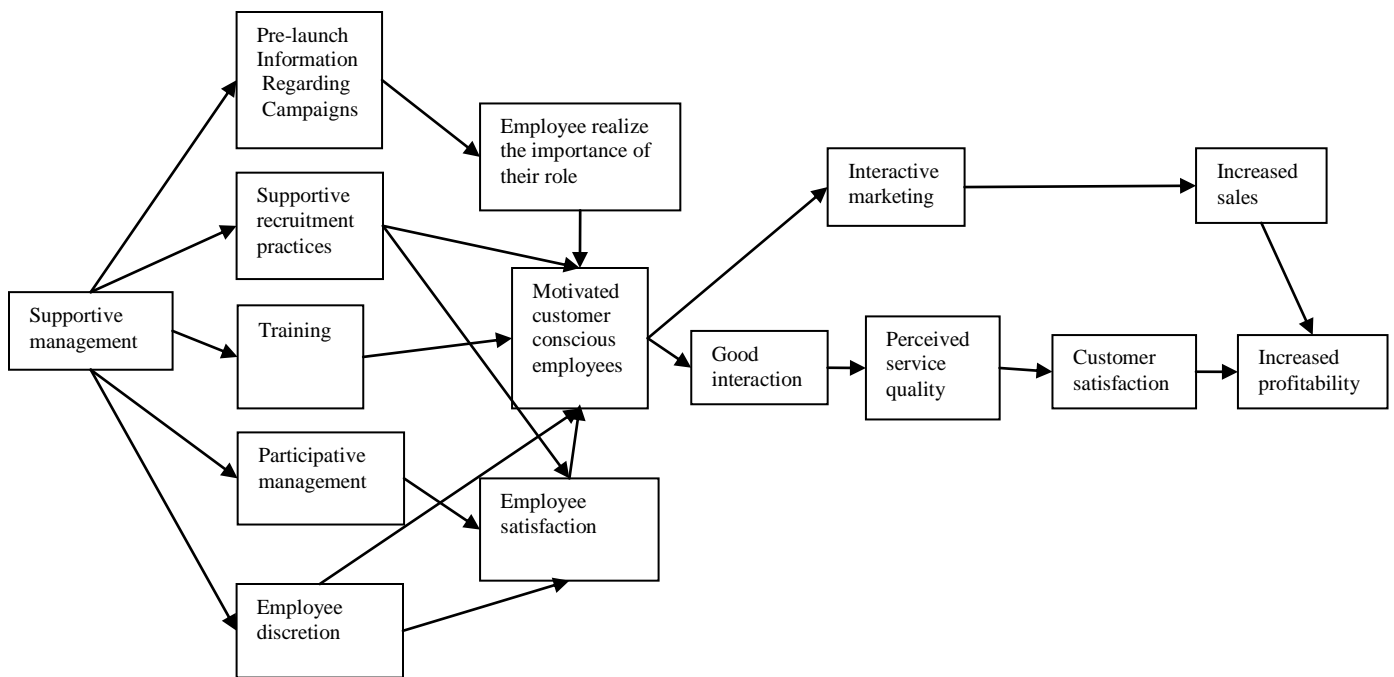


Figure 2 Relation between internal marketing and competitive advantage (Berry, 1981)

Grönroos(1982), defined internal marketing as the behavior of selling a corporation for its internal customer’s employees. Grönroos have developed an internal marketing model that is based on customer orientation. The model states that employees need to be customer conscious and sales minded to deliver a quality service and consequently making higher profits (Varey, R. and Lewis, B. 2000).

Figure 3 Marketing Internal Model Grönroos

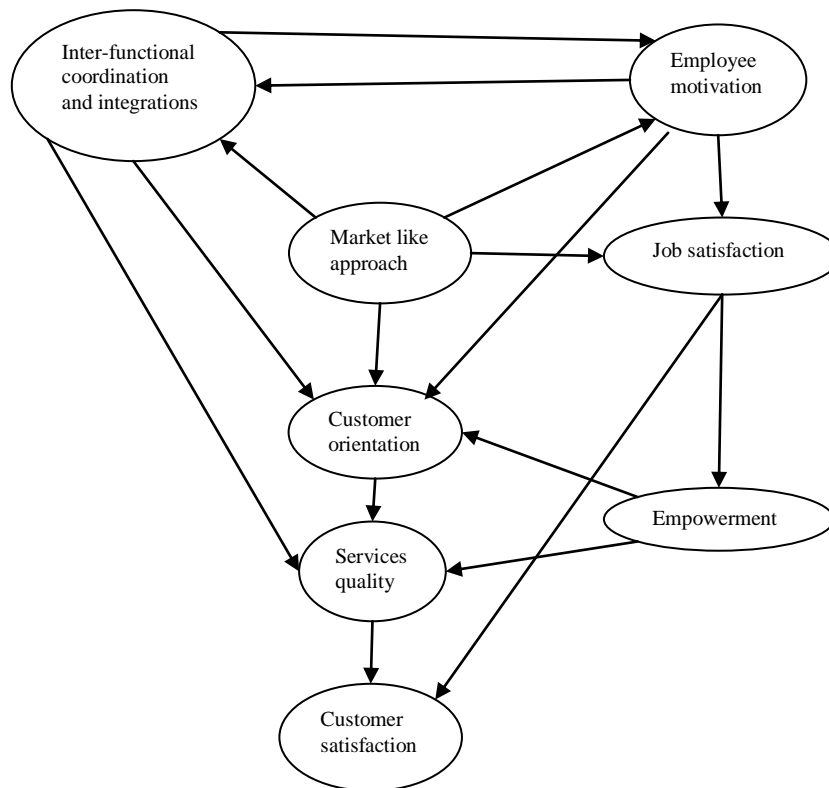


Source: Grönroos adapted for Ahmed and Rafqui (2002)

Varey and Lewis(2000) pointed out that both models are incomplete and also have different mechanism and objectives, where Berry does not use ore indicates mechanism to motivate employees, while Gronroos ignores the marketing approach; whereby to have a better and comprehensive model this two approaches should be combined.

Rafiq and Ahmed (2000) identified the main elements of IM from the analysis of the key literature and developed an IM model. Model shows the interrelationships between the criteria for IM and the implementation of one particular organizational strategy that is at the heart of service organizations, namely, service quality. At the centre of this framework is customer orientation which is achieved through marketing- like approach to the motivation of employees, and inter-functional coordination (Lambert, 2002; Ho, 2006). The centrality of customer orientation reflects its importance in the marketing literature and its central role in achieving customer satisfaction and hence organizational goals. Rafiq and Ahmed (2000) highlighted the key role of training in customer orientation and customer satisfaction. They explained that employees also need the right type and level of training to perform their jobs. This can help to reduce ambiguity surrounding their role.

Figure 4 Functional coordination and integration



Source: Rafiq and Ahmed (2002)

### 2.1.2 Dimension of Internal Marketing

Scholars have given various variables on the dimension of internal marketing. Below are dimension of internal marketing used by different scholars.

- Tsai and Tang (2008): Service training programs, Performance incentives, and Vision for service excellence
- Gounaris (2006): Selection, Training and development, Incentive systems or Empowerment
- Rafiq and Ahmed (1993): Employee motivation and satisfaction; Customer orientation and Customer satisfaction; Inter-functional coordination and integration; Marketing-like approach; and Implementation of specific corporate or functional strategies.
- Bansal, Mendelson, and Sharma (2001): Employment assurance; Broad training; Abundant salary determined according to organizational performance; Information sharing; Employee empowerment, and Reducing differences in rank.

- Parasuraman, Zeithaml & Berry (1991): Compete for talent; offer a vision and provide a purpose to equip employees with skills and knowledge of their roles; bring people together as a team; leverage the freedom factor; nurture achievement through measurements and rewards; and base job design decisions on research
- Varey & Lewis (1999): Dissemination of information from all internal groups; Development of competence, and Development of incentive and motivation systems.
- Ahmed & Rafiq (2003): Strategic rewards; Internal communications; Training and development; Organizational structure; senior leadership; Physical environment; Staffing; Selection and succession; Inter-functional coordination; Incentive systems; Empowerment; and Operational/process changes.

Internal Marketing can be explained by the above stated dimensions, even if it was recommendable to analyze internal marketing using all the dimensions, for the purpose of this study, four dimensions which were the most repeatedly stated by the scholars were selected assuming the most common ones can explain internal marketing well enough.

### **2.1.3 Implementing Internal Marketing**

The incentive for properly implementing internal marketing is how it will assist in the creation of competitive advantage. Companies that embrace internal marketing understand that taking care of customer's means taking care of employees. They realize that their employees are important because they are responsible for delivering quality products and services to their customers. Sustained delivery of products and services that exceeds customers' expectations will develop customer loyalty, as they become highly satisfied or even delighted (Kotler, 2008). According to Proctor (2010), there are practical actions that can be taken to implement internal marketing with a focus on preparing employees to build a relationship with customers and deliver a quality service to customers.

These includes

- making sure employees are told about the organization's mission and how they fit into it
- making sure internal communication channels effectively share information on how to market ideas and services internally
- Apply marketing skills and initiatives internally to understand employees' needs and wants;

- Let employees know why they should do things as well as how to do them; and
- Develop employees' suggestion system to encourage ideas on improving the quality of customer service.

#### **2.1.4 Importance of Internal Marketing**

Internal marketing aims to motivate and influence employees towards customer-consciousness and sales-mindedness using marketing-like techniques internally (Gronroos, 1982). The essential role of IM is to encourage and motivate employees towards the cross-functional implementation of organizational objectives (Rafiq & Ahmed, 1993). Through proper internal marketing programs, organizations can attract, recruit, and retain the right mix of employees in order to deliver superior value at all times Collins, B., & Payne, A.( 1991). The major task of internal marketing is to successfully hire, train and motivate qualified employees in order to serve the customer well (Kotler, 2008).

Internal marketing is an important part of organizational development and change, moreover, if there is an absence of internal marketing in the given organization, management may face with resistant staff toward change processes and adaptation (Varey & Lewis, 1999). Thus, applying internal marketing, an organization will be able to develop an atmosphere and environment in which workers are appreciated and susceptible to improve business performance and generate long term competitive advantage through the creation of strong organizational cultures. Generally this can be attained through developing a face-to-face, flexible, also efficient interaction between management and different groups within the given company instead of operating in a rather bureaucratic organization (Ahmed & Rafiq, 2003).

#### **2.1.5 Measuring Internal Marketing**

It is necessary to measure effectiveness of internal marketing in order to ensure the internal marketing structure is followed through it after it is applied. The success of the internal marketing strategy can be measured as follows:

- A. Improved integration, including the placement of a senior management services director within the offices of the other departments, close to the senior management team and business development staff;

- B. Invited attendance at monthly business development seminars/lunches;
- C. The development and issue of new departmental and work stream brochures
- D. Increased involvement and appearances in pan discipline business development activities, key client business to business meetings and corporate hospitality events;
- E. Internal seminars delivered by management services to all staff outlining the skills within the department, its structure, the type of work undertaken and its client base;
- F. Increased prominence by management services as leader for internal training and development programs;

If businesses are willing to invest in such a thorough process, there is very little chance for it to fail, as it is 'ensuring that there is a sharing of knowledge, expertise, and skills across departments and that there is a process by which departments can be educated in the areas of work and skills of others, the opportunity for cross selling services is increased (Brown, T.J., Mowen, J.C., Donovan, T., and Licata, J.W. (2002))

In terms of the actual effectiveness of internal marketing, methods need to be followed through. Such methods, for example: which aim to motivate employees, demand a decentralization of the Decision-making process and motivating personnel policy needs to be logical and just in its nature. If there is an absence of such a policy, it is likely that internal marketing efforts become fruitless

#### **2.1.6 Challenges of Internal Marketing**

The problem of the concept of Internal Marketing were the job product "sold" to internal customers may be unwanted by them and that unlike in the external market, employees rarely have a choice in terms of product offered and may even be coerced into accepting these (Ahmed & Rafiq, 2003). In addition the financial implication of having satisfied employees may be substantial and that not all organizations were prepared to invest so heavily in an idea that may only bring results in the long term. For example, in order to satisfy employees, salaries may need to be increased, working environment rebuilt and training heavily invested in; with in return on investment only being shown in the long term (Papazolomou & Vrontis, 2006)

### 2.1.7 Service Quality

Service quality is a difficult concept to define. Many scholars have tried to define service quality from different point of view. There is general consensus amongst researchers and practitioners that service quality is an elusive and abstract concept that is difficult to define and measure (Bateson & Hoffman, 2011:324; Kasper et al., 2006:175; Kotler & Armstrong, 2010:272; Parasuraman et al., 1985:41; Sower, 2011:8)

Kotler & Armstrong defined service quality as the ability of firms to hang on customers. For them service quality is a difficult concept to define and measure since it always vary. They according to them the best way to measure service quality is through customer retention.

Service quality is usually defined as the customer's impression of the relative superiority or inferiority of a service provider and its service (Bitner and Hubbert 1994). Parasuraman, Zeithmal and Berry, (1988) also described service quality as a global judgment or attitude relating to the superiority of the service.

Many researchers have tried to conceptualize service quality. The first person to conceptualize service quality is Grönroos (1984:36); he stated that quality of services is perceived by customers

### 2.1.8 Service Quality Dimension

Quality is a multidimensional phenomenon. Meeting the customers' quality perception is possible only if relevant determinants are identified. Gronroos identified three dimensions of service quality, the technical quality of outcome, the functional quality of service encounter and the corporate image. Lehtinen and Lehtinen (1999) also proposed three dimensions of service quality as physical quality, corporate quality and interactive quality where as Rust and Oliver (1994) proposed a tri component model where a customer's overall perception is based on his evaluation of customer-employee interaction, the service environment and the outcome.

According to Garvin (1987), Service quality can be measured through eight dimensions.

1. **Performance:** These are the core or the primary characteristics that the service is bound to provide.
2. **Features:** All those characteristics that add value to the services.
3. **Reliability:** It refers to the ability to provide the same levels of service over a extended time period.
4. **Conformance:** Ability to conform to certain predefined quality standards.
5. **Durability:** How much value addition is done by the service?

6. **Serviceability:** Ability to absorb and rectify the flaws that exist within the services.
7. **Aesthetics:** The overall appeal of the service in mindset of the consumers.
8. **Perceived quality:** The perception image and the feeling that customers have regarding the services.

Parsuraman et al. (1985) proposed ten dimensions on the basis of qualitative research namely:

1. **Tangibles:** Appearance of physical facilities, equipment, personnel and communications materials.
2. **Reliability:** Ability to perform the promised service dependably and accurately.
3. **Responsiveness:** Willingness to help customers and provide prompt service.
4. **Competence:** Possession of the required skills and knowledge to perform the service.
5. **Courtesy:** Politeness, respect, consideration, and friendliness of contact personnel.
6. **Credibility:** Trustworthiness, believability, honesty of the service provider.
7. **Security:** Freedom from danger, risk or doubt.
8. **Access:** Approachability and ease of contact.
9. **Communication:** Keeping customers informed in language they can understand and listening to them.
10. **Understanding the Customer:** Making the effort to know customers and their needs

Some researchers opined that the relevance of dimensions should vary according the sector in which those are applied. The dimensions that may undertake the correct measurement in hospitality sector may not be equally valid in retail sector. Dabholkar, P. A. (1996) proposed five dimensions to be found relevant to the retail context namely physical aspects, reliability, interaction, problem solving and policy. Siu and Cheung (2001) empirically tested dimensions of service quality in retail and found personal interaction, policy, physical appearance, promises, problem solving and convenience to be the important determinants.

Jones.C.(2004) developed a scorecard for service excellence in bank services and suggested three factors relevant for banking sectors: 1. technical factors such as speed, accuracy, efficiency and availability, 2. Interpersonal factors, 3. Environmental factors. Gilbert and Wong (2003) identified reliability, assurance, facilities for employees, flight patterns, customization and responsiveness to be the determinants of airline service quality.

### **2.1.9 Measuring Service Quality**

There are different models that are used as measurement tool for service quality. the GAP model of service quality (Parasuraman, Zeithaml, & Berry, 1985) and the SERVQUAL approach (Parasuraman et al., 1988) that measures service quality using 22 items that are associated with the five service quality dimensions (tangibles, reliability, responsiveness, assurance and empathy, the SERVPERF scale developed by Cronin and Taylor (1992) and BSQ model developed by Bahia & Nantel (2000) are discussed in this section.

#### **GAP Model**

According to (Parasuraman, Zeithaml, & Berry, 1985) There are seven major gaps in the service quality concept: Gap1 (customers' expectations versus management perceptions), Gap2 (management perceptions versus service specifications, Gap3 (service specifications versus service delivery), Gap4 (service delivery versus external communication), Gap5 (the discrepancy between customer expectations and their perceptions of the service delivered), Gap6 (the discrepancy between customer expectations and employees' perceptions), and Gap7 (the discrepancy between employees' perceptions and management perceptions). Gaps 1-4 and 6-7 are identified as functions of the way in which service is delivered, whereas Gap 5 pertains to the customer and as such is considered to be the true measure of service quality. The Gap on which the SERVQUAL methodology has influence is Gap 5

#### **SERVQUAL Model**

In 1988 Parasuraman, Zeithaml and Berry came up with a SERVQUAL scale to operationalies the measurement of service quality. The authors first identified 10 determinants of service quality based on a series of focus group sessions (1985). They subsequently developed SERVQUAL (1988), which recasts the 10 determinants in to five specific components i.e.

- Reliability – the ability to perform the promised service dependably and accurately.
- Tangibles – the appearance of physical facilities, equipment, personnel and communications materials.
- Responsiveness – the willingness to help customers and to provide prompt service.
- Assurance – the knowledge and courtesy of employees and their ability to convey trust and confidence.
- Empathy – the provision of caring, individualized attention to customers.

SERVQUAL contains 22 items of instrument to empirically test the 10 dimensions they proposed on the basis of qualitative research. The instrument determines the disconfirmation of an experience based upon the differences between the perceptions and the expectations of service quality. When perceptions exceed expectations, the results represent satisfaction, and when the perception is less, it represents dissatisfaction. The subjects answer each question twice once based upon perceptions and once on expectations, which then creates a P-E gap score. The overall service quality is determined by the sum of all the gap scores.

SERVQUAL has become the most widely used service quality measurement method but the tool invited criticism regarding the generalizability of the dimensions and the overlapping meaning of the dimensions (Carman, 1990; Rao and Kelkar, 1997). McCleary and Swan (1996) recommended customized testing of dimensions relevant to each sector. The further examination and assessment of SERVQUAL brought forward a view that criticized expectations as irrelevant and misleading for the evaluation of service quality (Robeldo, 2001). Carman (1990) opined that two battery instrument measuring expectations and perception separately is inappropriate in terms of reliability and questionnaire length. The respondent will always have the tendency to rate expectation (what is desired) higher than perception (what is perceived to be received) (Wall and Payne, 1973).

### **SERVPERF Model**

Because of the shortcomings of SERVQUAL researcher have tried to come up with a new modified scale to measure service quality. Cronin and Taylor (1992) proposed a new tool based on perception only paradigm known as SERVPERF. This model considered 22 items of SERVQUAL perception statement.

Methodologically, the SERVPERF scale represents marked improvement over the SERVQUAL scale. Not only is the scale more efficient in reducing the number of items to be measured by 50 per cent, it has also been empirically found superior to the SERVQUAL scale for being able to explain greater variance in the overall service quality measured through the use of single-item scale.

## **BSQ Model**

Bahia & Nantel (2000) developed a specific new scale for perceived service quality in retail banking: BSQ (Bank Service Quality). This BSQ model incorporated additional items such as courtesy and access, as proposed by Carman (1990), and items representing the marketing mix of the “7Ps” (product/service, place, process, participants, physical surroundings, price and promotion) from the Boom & Bitner (1981) framework. After refinement, the BSQ was left with 31 items of service quality relevant to the banking sector. These 31 items were distributed across six dimensions:

1. **Effectiveness and assurance:** effectiveness refers to the effective delivery of service (particularly the friendliness and courtesy of employees) and the ability of staff to inspire a feeling of security. Assurance concerns the staff’s ability to exhibit their communication skills and to deal confidentially with clients’ requests.
2. **Access:** assesses the speed of service delivery.
3. **Price:** measures the cost of service delivery.
4. **Tangibles:** assess the appearance and cleanliness of a bank’s physical infrastructure.
5. **Service portfolio:** assesses the range, consistency, and innovation of the bank’s products.
6. **Reliability:** measures the bank’s ability to deliver the service you have been promised accurately and without error.

In comparing BSQ with SERVQUAL, Bahia & Nantel (2000) argue that the main strength of BSQ for banks is related to its content validity. For example, the services portfolio dimension and the price dimension of BSQ are absent from SERVQUAL (Petridou, Spathis, Glaveli, & Liassides, 2007).

## **2.2 Empirical Review**

Many research works have indicated the benefits an organization can acquire through implementing internal marketing. Service quality is one of the benefits that can be drawn from internal marketing. According to Ian lings (2000) quality of service depends on the quality of individuals who produce and provide these service. Therefore, service quality depends on using internal marketing program that satisfies needs and conforms to aspirations of working individuals (lings, Ibid). Gummesson (2000, p. 28) summarized the importance of Internal

marketing as “an employee’s ability to influence and satisfy the needs of others inside the organization is considered an antecedent to external customer satisfaction. An organization must sell internal products to internal customers in order to fulfill the company objectives and deliver services quality.

Zakaria Ahmad (2016), in his study “internal marketing as a tool for maintain high quality service provided by service firms” aims to evaluate the role of IM elements on maintain high quality services provided by hospitality firms in Jordan. In this study Employees training, motivation and empowerment are the IM elements considered to affect service quality. The finding of the study shows that there is a positive and significant relationship between the IM elements and service quality of the hospitality firms. Based on the finding it was recommended such firms should build up an organizational culture in service industry which fosters and enhance internal marketing applications’ due to the benefits such companies can gain when applying it.

On their study of the impact of internal marketing strategy on perceived service quality on mobile telecommunication company of Iran, Nasser Asgari and Mentab Daresan (2016) found that internal marketing strategy has a significant impact on the quality of service perceived by customers. Employee security, training, empowerment, information sharing, compensation and non discrimination are the internal marketing elements used. Based on the findings of the study all of the above mentioned internal marketing dimensions have a positive and significant impact on service quality.

A positive and significant relationship between internal marketing and service quality was also found in the study of Mochamad, Bambang and Nanny (2018). These researchers studied the impact of internal marketing on external service quality in Semeru pine forest (SPT) tourist attraction. The purpose of this study was to find out the magnitude of the influence of IM to improve the external service quality. IM was represented by six indicators i.e. leadership, consultative, motivation, work standard, communication and training. All of these factors have a positive and significant influence on service quality.

On their empirical study of the relationship among internal marketing practices, job satisfaction, service quality and customer satisfaction on Saudi Arabia’s service sector M.S. Sohail and Jichul Jang (2017) found that employee satisfaction was positively associated with service quality and this service quality was related to customer satisfaction. In this empirical study a model that

describes the relationship between internal marketing, service qualities and customer satisfaction was developed. In this model IM practices are introduced by the independent variable employee satisfaction and service quality is given the role of a mediator between employee satisfaction and customer satisfaction. IM practices are expressed by four dimensions i.e. supportive and participative leadership, training and development, information and communication and adequate reward.

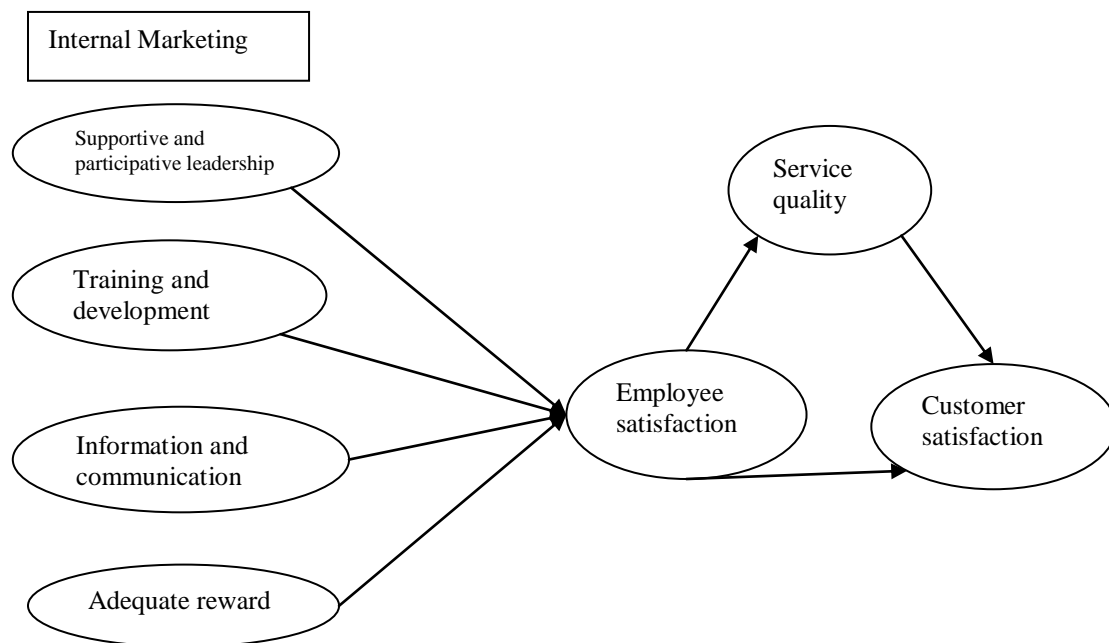


Figure 5 conceptual framework M.S. Sohail and Jichul Jang (2017)

After testing there model the results show that service quality has a mediating role on the relationship between internal marketing and customer satisfaction. It was also found that employee satisfaction is positively related to service quality that may lead to customer satisfaction and except training and development all of the IM dimension used are positively related with service quality. Therefore it was concluded that satisfied employees will give their best and ensure that customers receive a quality service experience.

A.A. Farouk, E.E. Khlel and G. Mohammed (2016) studied the impact of internal marketing on the service quality in sport clubs in Egypt. In their study IM was expressed through seven dimensions i.e. Clarity of work roles, developing and training, reward employees, the relation among employees, communication within the club, motivation of employees and the interaction among employees and service quality was measured by using the SERVQUAL method. Based on the findings of the study all of the IM dimensions were positively related to service quality. Hence there is a positive and significant relationship between internal marketing and service quality.

In another empirical study “internal marketing as a new alternative for the service employee’s performance” were done by Mayriam Bellauaid and Abdulkadir Gan (2011). This study aims to present an empirical exploration in to the correlation among IM, employee customer orientation and service quality. This study gives customer orientation a mediating role on the relationship between internal marketing and service quality and only two internal marketing dimensions i.e. gratitude- empathy and integration-support. According the findings of the study it was found that there is a positive and significant relationship between internal marketing and service quality for both IM dimensions and also a positive and significant relationship between IM and customer orientation. The study failed to accept the role of customer orientation as a mediator between service quality and internal marketing.

Arif Vaseer and Khuram Shahza (n.d) studied the relationship between IM, job satisfaction and service quality in higher education institutions of Pakistan. This paper explores the elements of IM that impact job satisfaction and service quality of faculty members employed in public and private universities in Pakistan. The study uses four IM dimensions i.e. empowerment, recognition, employee motivation and market orientation. Based on the findings of the study all IM elements have an impact on job satisfaction and job satisfaction has a strong effect on service quality. The findings of study failed to accept the notion that recognition and market orientation has a positive impact on service quality and accepted the one that state empowerment and motivation has a positive and significant relationship with service quality.

Nnabugwu E; Ebere O R; Nordum P (2018) studied the relationship between service quality and internal marketing in selected insurance firms in south east Nigeria. The general purpose of this study was to examine the effects internal marketing on the service quality of insurance firms. Three dimensions i.e. inter-functional coordination and integration motivation and employee

training were used to represent IM. The overall finding in this study shows that inter-functional coordination and integration and motivation are the dominating factor that drives the service quality in Nigerian insurance firms and it was found that training alone cannot drive improved quality service delivery. Based on the findings it was concluded that internal marketing holds a very significant and strong relationship with service quality and therefore it was recommended that insurance firms in south-eastern zone of Nigeria should intensify their inter-functional coordination and integration and motivation while not compromising employees training.

In 2014 Sara studied the impact of internal marketing on customer service quality in Ethiopian airlines. To conduct this study five IM dimensions i.e. empowerment, transparency, employee pay and benefit, employee security and reward and employee training were used. Based on her findings out of the five IM dimensions only employee pay and benefit and employee training has a positive and significant relationship with service quality.

Effect of internal marketing on customer service quality in commercial bank of Ethiopia in east Addis Ababa district was examined by Elsabeth Tolessa in 2017. In this research Internal marketing was represented by seven dimensions i.e. Communication, Training Top Management Support, Commitment, Reward Empowerment, Internal Marketing Research. The findings of this research states that internal marketing have a positive effect on service quality. From the seven independent variables, only four variables (training, reward, empowerment and internal research) are found statistically significant in explaining customer perceived service quality.

While reviewing prior research works, to the best of my knowledge there is very limited research conducted on the effect of internal marketing on service quality concerning the banking industry. Therefore, this study will fill the knowledge gap in this regard.

### **2.3 Conceptual Framework**

The major objective of this study is to examine the effect of internal marketing on service quality. To achieve these objective four dimensions i.e. communication, motivation, training and job satisfaction are selected to capture the effect internal marketing has on service quality.

### **2.3.1 Communication**

Lovelock (1999) defined communication as an information flow from management to employees and vice versa in a service organization. Organizations must give a serious consideration to improve the level of communication with employees to communicate its vision and mission and provide effective strategies to transfer knowledge and information, by using different methods such as team work discussion and internal newsletters (Roberts- Lombard, 2010). An effective internal communication is very important tool for the internal marketing, it helps management to ensure service delivery with high satisfactory level and build employee trust, respect and loyalty (Lovelock, 1999). The following hypothesis is built based on the above explanation.

**H1. There is a positive relationship between Communication and service quality**

### **2.3.2 Motivation**

Papasolomou (2006) have indicated that there is no doubt that the motivation is an important factor which improves the performance of the employees; many companies set a systematic reward system to motivate its employees to improve their service quality and delivery. Every person is unique and has a motivational key which makes this person work harder and give more. Motivation may come from financial and non-financial elements. Financial and non-financial motivation must be developed to employees according to their job levels, such as paying them bonuses and commissions, or educational development of job trainings and courses (Roberts-Lombard, 2010). The most important issue is how to communicate the motivation programs within the organization. An effective way to create trust and commitment between the employees and their managements is building team sessions. Managements must arrange regular meetings with the employees to listen to their needs, enquiries, complains and recommendations, to address the needs of each employee on an individual basis (Roberts-Lombard, 2010).

**H2. There is a positive relationship between motivation and service quality**

### **2.3.3 Training**

Training is a process that is involved in improving the aptitude, skill and ability of employees to perform a specific job (Aswathappa 2000 cited in Güllü, K., Çelik, O., Güllü, T., & Bayram, H. 2017). In the works of Uchenna (2008) training is an internal marketing activity were employees are continuously provided with information, skills and knowledge so that they are able to execute their job effectively. Employee training and development programs have a basic role in

increasing employee's motivation in service organization and this will have a significant impact on both internal and external service quality. According to (Pfeffer, 1998) training is an important thing that gives employees knowledge and the ability to recognize and solve problems which guarantee the delivery of quality service.

**H3. There is a positive relationship between training and service quality.**

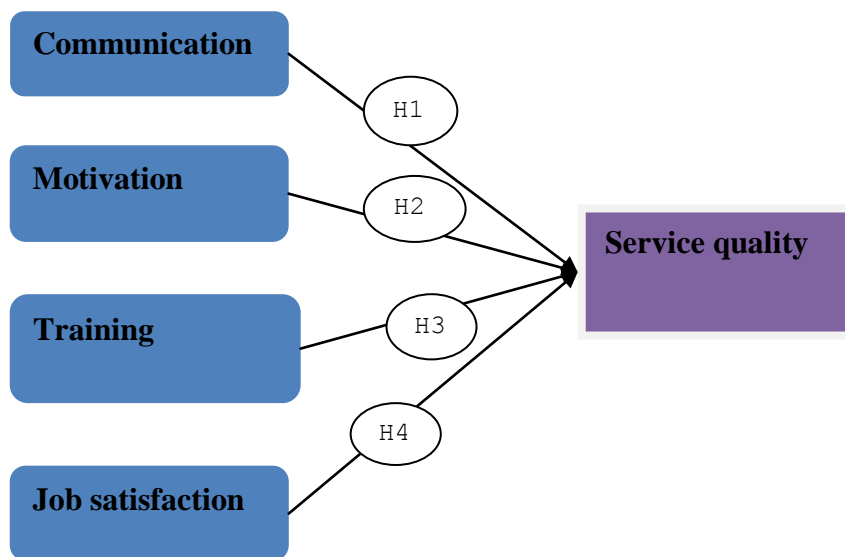
**2.3.4 Job satisfaction**

Yoon and Suh (2003) showed that satisfied employees are more likely to work harder and provide better services via organizational citizenship behaviors. Employees who are satisfied with their jobs tend to be more involved in their employing organizations, and more dedicated to delivering services with a high level of quality.

Researchers have argued that service quality is influenced by job satisfaction of employees (e.g., Bowen and Schneider 1985, Hartline and Ferrell 1996). Hartline and Ferrell (1996) found evidence that job satisfaction felt by customer-contact employees is associated with service quality.

**H4 job satisfaction has a positive relationship with service quality**

Figure 6 conceptual framework



## **CHAPTER THREE: RESEARCH DESIGN AND METHODOLOGY**

This chapter discusses the research methodology used for analysis. The studies general objective was to examine the effects of internal marketing on service quality in the case of the Ethiopian banking industry. Four banks were selected for the purpose of this study and the sample population was the employees of the selected branches of the respected banks.

### **3.1 Research Approach**

There are three types of research approach i.e. qualitative, quantitative and mixed. Qualitative research is a means for exploring and understanding the meaning individuals or groups ascribe to a social or human problem and Quantitative research is a means for testing objective theories by examining the relationship among variables. These variables in turn can be measured typically on instruments, so that numbered data can be analyzed using statistical procedures. Whereas mixed methods research is an approach to inquiry that combines or associates both qualitative and quantitative approaches.

The research approach that was followed is a quantitative research approach. This approach was selected because the study aims at examining the impact internal marketing had on service quality. To empirically analyze this the generation of data in quantitative form is required to conduct statistical analysis of the relationship between the dimensions of IM and service quality. The data will be also used to test the correlation between internal marketing and service quality.

### **3.2 Research Design**

Descriptive and explanatory research designs are selected to conduct this study. Descriptive research design gives emphasis on determining the frequency with which something's occurs or the extent to which two variables correlate. Descriptive research is designed to answer descriptive questions like how many? What is the incidence of x? And questions like is x and y are related? Thus looking at the main and sub research questions of the study descriptive research design is suitable to examine the correlation between internal marketing and service quality and the correlation between the dimensions of internal marketing and service quality.

Explanatory research design is the other research design used in this research. Explanatory study is referred as analytical study. The main aim of explanatory research is to identify any causal

links between the factors or variables that pertain to the research problem. Explanatory research focuses on why questions. Answering the why questions involves developing causal explanation. (Abdurezak, Berhanu and Matiwsos 2014).Therefore in order to explain the effects of internal marketing dimensions in service quality explanatory research design is also necessary

### 3.3 Data Source

There are two major sources of data that is primary and secondary data source. Primary data source was used for this research. The primary data is collected from the employees of the selected banks in order to study the impact of internal marketing on service quality. In order to collect the primary data a Standard questionnaire was developed and distributed to the employees of each bank.

### 3.4 Population and Sample Size

#### 3.4.1 Population

The first stage of the sampling process is identifying the target population. The target population of this study was the employees of the selected branches of the 4 banks (CBE, Awash, CBO and ADB). The target population of this study contains two types of bank employees. In general bank employees are classified as supervisors and non supervisors. Supervisors of the bank include branch managers and customer service managers where as non supervisors include front line and back office employees. Both of these employees are included in this study since all of them affect the delivery of a quality service.

**Table 1 population of the study**

<b>Banks</b>	<b>Branches</b>	<b>Number of Employees</b>
CBE	Dukem Branch	34
	Bishoftu Branch	110
	Lelem Branch	28
	Kurkura Branch	17
Awash bank	Dukem Branch	30
	Adea Branch	22
	Bishoftu Branch	32
	Lemlem branch	14

CBO	keylolle branch	24
	Hora Aresedi branch	60
	Adea Branch	12
	Dukem Oda Nebe	11
ADB	Bishoftu Branch	9
	Kality Branch	11
	Akaki Branch	9
	Saris Branch	17
TOTAL		440

Source: Own Survey 2019

### 3.4.2 Sampling Frame

According to Kothari (2004), the elementary units or the group or cluster of such unit may form the basis of sampling process in which case they are called as sampling units and a list of containing all such sampling units is known as sampling frame. Thus sampling frame consists of a list of items from which the sample is to be drawn.

The sampling frame work of this research was the employees of the selected banks.

### 3.4.3 Sampling Size

Determining the sample size should be done in vigilantly not to make it too small or too large. If sample size is too small, will not represent the population and if it's too large, unnecessary cost will be incurred. The sample size for the employees was determined by using the sloven's sampling formula. According to this formula, the total population and sampling error shall be determined to calculate the sample result. The total population of the sixteen selected branches of the four banks is 440.

$$n = \frac{N}{1 + N(e)^2}$$

N= total population

e= sampling error (0.05)

n=sample size

$$n = \frac{440}{1 + 440(0.05)^2} = 209.52 \approx 210$$

Therefore the sample size of the study is 210 employees of the banks. the questioner was distributed and collected from this employees.

### **3.5 Sampling Technique**

There are two sampling techniques this are probability and non probability sampling techniques. This research uses both sampling techniques. The probability sampling technique is used to select the banks from their respective category. The banks are selected by using simple random sampling method. The lottery method is used to select the banks under the study.

Convenience sampling technique from non probability sampling method was used to select the respondents of our study. This method is use full for selecting respondents when the population size and the geographical area the research covers is large and this method is also useful when the organization under the study has different service outlets this will make it difficult to get all its employees at the same time. Since it is difficult to get all the employees of a particular bank at same time and place it is better to use convenience sampling technique.

### **3.6 Data Collection Tools**

The effect of internal marketing on service quality was investigated through standard questioner based on 5 point Likert scales rating from strongly disagree to strongly agree. Questionnaire was prepared for assessing the impact of internal marketing on service quality.

The questionnaire is divided in to three parts. The first part of the questionnaire is used to capture the demographic information of the respondents. Data related to internal marketing is collected in the second part of the questionnaire. This part of the questionnaire is prepared to measure the effectiveness of internal marketing through the five dimensions mentioned before.

The third part of questionnaire is prepared to assess service quality of the banks under question. This questionnaire contains questions that allow employees to measure the quality of services they provide their customers. This study uses the SERVPERF model to measure service quality. The items in this model are modified in order to suit the bank service setting and measure the employee's perception of service quality.

This Questionnaire was developed based on the literature review. Pilot test and a cronbach alpha reliability test where conducted before the major distribution was made. The Questionnaire was distributed to the employees of the selected branches of the four banks. A total of 210 Questionnaire was distributed.

### **3.7 Method of Analysis**

In order to analyze the effect of internal marketing on service quality the collected data was analyzed using SPSS to test hypotheses stated in the conceptual frame work. The correlation between selected dimension of internal marketing and service quality was analyzed through multiple regression analysis. The effect of internal marketing and service quality was also analyzed using regression analysis.

Model specification: The multiple regression model of the study was as follows:-

$$Y = a + b_1 (X_1) + b_2 (X_2) + b_3(X_3) + b_4 (X_4) + e$$

Y = service quality

a = Y intercept

X<sub>1</sub>= Communication

b<sub>1</sub> = Regression (beta) Coefficient of communication

X<sub>2</sub>= motivation

b<sub>2</sub> = Regression (beta) Coefficient of motivation

X<sub>3</sub>= Training and development

b<sub>3</sub> = Regression (beta) Coefficient of Training and development

X<sub>4</sub>= Job satisfaction

b<sub>4</sub> = Regression (beta) Coefficient of Job satisfaction

e = error term

### **3.8 Validity and Reliability**

#### **3.8.1 Validity**

Validity refers to the extent to which a test measures what we actually wish to measure. In order to improve validity of the questionnaire, it is necessary that the questionnaire is reviewed and modified through experts and piloting the questionnaires so that the questionnaire is finalized in a defect-less version Kothari (2004, p 73). The questionnaire of this study has been developed based on reviewing research literature and then is reviewed and modified by experts for improving its validity.

### **3.8.2 Reliability**

It is very important to measure the reliability of assessment tools in order to bring stability and consistency of research results. Reliability is the degree to which measures are free from random error (the difference between the sample value and the true value of the population mean) and, therefore, provide consistent data (McDaniel, 2010).

The cronbach coefficient alpha was used to test the reliability of the measures. Cronbach coefficient alpha value 0.70 and above specifies the tools used are reliable. This test will be conducted to measure the reliability of the assessment tools that will be used in this research

### **3.9 Ethical Considerations**

This research was conducted ethically. The data collection and analysis process was done in an ethical manner where the respondents was asked to participate in the questionnaires voluntarily and was asked to fill in their names and other confidential information. The information collected in this research was only used for educational purpose only.

## CHAPTER 4

### DATA ANALYSIS AND PRESENTATION

This chapter analyzes and presents the data collected for the purpose of studying the effect of internal marketing on service quality. In this chapter both descriptive and inferential analysis are made. The descriptive analysis focuses on the description of the sample population where as inferential statistics makes inferences about the population based on the data from the sample population, are presented in this chapter. The data analysis was undertaken with the help of computer statistics package (SPSS version 20).

#### 4.1 Reliability and Validity

##### 4.1.1 Measure of Reliability for IM contracts

The reliability and validity test is a measurement that is used to validate the empirical results of the study. According to McDaniel, 2010 reliability is a test that is used to measure the consistency of data and Validity refers to the extent to which a test measures what we actually wish to measure (Kothari 2004, p 73).

The cronbach's coefficient alpha is a scale that is used to measure the reliability of measures. The alpha coefficient scale ranges from 0 to 1 and according to the scale the higher the score, the more reliable the generated scale is. Nunnally, J. & Bernstein, I. (1994) has indicated 0.7 values to be the minimum acceptable reliability coefficient. The value of Cronbach's alpha for the internal marketing dimensions used in this study range from 0.748 to 0.905. As it is shown in the table below all the dimensions exhibits a scale that is greater than 0.7 which indicates that the items used to measure the internal marketing are reliable.

**Table 2 reliability test for IM scale**

Variable	N of items	Cronbach's alpha
Communication	6	.797
Motivation	4	.897
Training	4	.905
Job Satisfaction	4	.748

Source: Own Survey 2019

#### 4.1.2 Measure of reliability for service quality

The overall service quality scales were tested and found to be acceptable for the twenty scales and the value of Cronbach's alpha was 0.936. This higher value means that the items used to measure service quality has an excellent reliability. This value was exhibited due to the fact that the items used to measure service quality are developed based on the valid theories.

**Table 3 reliability test for SQ scale**

Cronbach's Alpha	N of Items
.936	20

Source: Own Survey 2019

#### 4.2 Descriptive statistics

##### 4.2.1 Characteristics of Employees

The demographic statistics of the research is given in the table below. Out of the total population 29 % of the respondents were female and 71% were male. Hence the majority of the respondents were male.

**Table 4 Number of respondents by gender**

	Frequency	Percent	Valid Percent	Cumulative Percent
FEMALE	60	28.6	28.6	28.6
Valid MALE	150	71.4	71.4	100.0
Total	210	100.0	100.0	

Source: Own Survey 2019

The table below shows the respondent's age proportion in four age category. The majority of Employees are between the Ages of 21-30 which consists about 73.3% of the population of the Study and following this are Employees between the ages of 31-40 (22.9%). The rest of the population is above the age 41(3.8%).

**Table 5 ages of the respondents**

**AGE**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid From 21-30 years	154	73.3	73.3	73.3
From 31-40 years	48	22.9	22.9	96.2
Above 41 years	8	3.8	3.8	100.0
Total	210	100.0	100.0	

Source: Own Survey 2019

The table below shows the respondents educational level in four categories. When we see the educational level of respondents most of them are First Degree (Bachelor) holders 194 (92.4%), the second highest group are those employees who are Above First Degree 12 (5.7%) and the last group are respondents that have high school Diploma which accounts 7 (1.9%).

**Table 6 education level of respondents**

**education level**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid High school Diploma	4	1.9	1.9	1.9
First Degree	194	92.4	92.4	94.3
Above First Degree	12	5.7	5.7	100.0
Total	210	100.0	100.0	

Source: Own Survey 2019

The following table is also used to show the work experience of the respondents. 18.1% of the respondents have experience less than two years, 43.8% between 2to 5years, 32.4% from 6 to 10 years and 5.7% of respondent have more than 10 years of work experience.

**Table 7 work experience of the respondents**

	Frequency	Percent	Valid Percent	Cumulative Percent
Below 2 years	38	18.1	18.1	18.1
From 2-5 years	92	43.8	43.8	61.9
Valid From 6-10 years	68	32.4	32.4	94.3
Above 10 years	12	5.7	5.7	100.0
Total	210	100.0	100.0	

Source: Own Survey 2019

### 4.3 Correlation Analysis

This study uses Statistical Package for Social Science (SPSS) to analyze the relationship between internal marketing dimensions and service quality. The table below shows the correlation between and among the dependent and independent variable by using the Pearson Correlation coefficient.

**Table 8 Pearson Correlation Analysis**

Independent Variables	No of Respondents	Service quality	
		Pearson Correlation	Sig. (2-tailed)
Communication	210	0.677**	.000
Motivation	210	0.503**	.000
Training	210	0.621**	.000
Job satisfaction	210	0.592**	.000

\*\* . Correlation is significant at the 0.01 level (2-tailed).

Source: Own Survey 2019

The above the correlation matrix indicates that internal marketing practices were positively correlated with service quality. The highest coefficient of correlation between internal marketing dimensions and service quality is 0.677. There is a significant positive relationship between

communication and service quality ( $r = 0.677$ ,  $n = 210$ ,  $p \leq 0.01$ ). The next highest correlation lies between training and service quality ( $r = 0.621$ ,  $n = 210$ ,  $p \leq 0.01$ ). The third highest correlation is between job satisfaction and service quality ( $r = 0.592$ ,  $n = 210$ ,  $p \leq 0.01$ ). There is also a positive and significant between motivation and service quality ( $r = 0.503$ ,  $n = 210$ ,  $p \leq 0.01$ ).

Hence the above correlation matrix also shows that all variables are positively and significantly correlate with the dependent variable; service quality which implies that the increase of the independent variables will also enhance service quality.

#### **4.4 Regression Analysis**

Regression is a technique that can be used to investigate the effect of one or more predictor variables on an outcome variable. That is, it allows us to make statements about how well one or more independent variables will predict the value of a dependent variable. Linear regression estimates the coefficient of the linear equation, involving one or more independent variables that best predict the value of the dependent variable (Robert, 2006)

Before conducting regression analysis normality and multi collinearty test was conducted. Then the variables under internal marketing were entered into regression analysis to examine their effect on service quality.

##### **4.4.1 Assumption Testing for Regression Analysis**

Meeting the assumptions of regression analysis is necessary to confirm that the obtained data truly represented the sample and that research has obtained the best results. Multi-collinerty and normality are the two assumptions of regression analysis used in this study.

#### 4.4.1.1 Test of Normality

**Table 9 normality test**

	N	Skewness		Kurtosis	
	Statistic	Statistic	Std. Error	Statistic	Std. Error
communication	210	-.277	.168	-.662	.334
motivation	210	.024	.168	-1.168	.334
training	210	-.685	.168	.238	.334
Job satisfaction	210	.047	.168	-.983	.334
Service quality	210	-.534	.168	-.239	.334
Valid N (listwise)	210				

Source: Own Survey 2019

According to west (1995) the interpretation of normality is based on the absolute value of skewness and kurtosis and substantial non-normality is referred for absolute value of skewness greater than 2 and absolute value of kurtosis greater than 7. Thus, based on the above table the normality of the distribution is satisfied for this data.

In addition to this the normality probability plots were plotted to assess normality. The P-P plots were approximately a straight line instead of a curve. Accordingly, the residuals were deemed to have a reasonably normal distribution.

#### 4.4.1.2 Multi-collinearity test

Multi-collinearity reface to the case in which two or more explanatory variables in the regression model are highly correlated, making it difficult or impossible to isolate their individual effects on the dependent variable (Salvatore and Reagle, 2002, p.206). Tolerance and variance inflation factor or VIF are the two collinearity diagnostic factors that can be used to assess Multi-collinearity problem among explanatory variables.

According Robert (2006) The VIF is computed as “1/tolerance,” and it is suggested that predictor variables whose VIF values are greater than 10 are indicators of a Multi-collinearity problem and tolerance is computed as  $1-R^2$  and it is suggested that a tolerance which value is less than 0.2 should be farther investigated.

The multi-collinearity in this study was checked using the Tolerance and VIF value. As it is showed in the table, all the independent variables have a Tolerance value greater than 0.2 and a VIF value less than 10. So multi-collinearity does not exist for the independent variables.

**Table 10 Multi-collinearity test**

Model	Collinearity Statistics	
	Tolerance	VIF
(Constant)		
communication	.331	3.023
1 motivation	.393	2.544
training	.657	1.522
Job satisfaction	.445	2.247

a. Dependent Variable: service quality

Source: Own Survey 2019

#### 4.4.2 Multiple Regression analysis

To study the effect of internal marketing no service quality this research uses multiple regression analysis. The model was analyzed by using all four selected internal marketing dimensions. These analysis tells us how much of the variability in service quality is due to internal marketing dimensions.

**Table 11 regression Model Summary**

#### Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.751 <sup>a</sup>	.564	.555	.451	1.758

a. Predictors: (Constant), job satisfaction, training, motivation, communication

b. Dependent Variable: service quality

Source: Own Survey 2019

According to the analysis the adjusted R square of the data was 0.555. This implies that IM dimensions (predictors) accounts for 55.5% of the variation in service quality which is significant. The Durbin Watson (DW) statistic is attest for autocorrelation in the residuals from a statistical regression analysis. The DW statistics will always have a value between 0 and 4. A

value of 2 means that there is no autocorrelation detected in the sample where as Values from 0 to less than 2 indicate positive autocorrelation and values from 2 to 4 indicate negative autocorrelation. Field, 2009 suggests that values under 1 or more than 3 are a definite cause of concern. For this model the Durbin Watson was 1.758, which is within the acceptable suggested range and therefore the models is fit and appropriate in predicting service quality.

**Table 12 ANOVA for service quality**

**ANOVA**

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	53.815	4	13.454	66.162	.000 <sup>b</sup>
1 Residual	41.686	205	.203		
Total	95.501	209			

a. Dependent Variable: service quality

b. Predictors: (Constant), job satisfaction, training, motivation, communication

Source: Own Survey 2019

The above ANOVA table shows the acceptability of the model. The p-value is less < 0.05 i.e. 0.000 which indicates the variation is explained by the model is not due to chance.

**4.5 Hypothesis Result**

**Table 13 Coefficients Result of Multiple Regressions**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	1.507	.150		10.047	.000
communication	.314	.066	.379	4.722	.000
motivation	-.002	.044	-.004	-.049	.961
training	.242	.042	.332	5.830	.000
1 Job satisfaction	.116	.046	.174	2.513	.013

a. Dependent Variable: service quality

Source: Own Survey 2019

The above coefficients table is a regression analysis conducted in order to examine the significance of the hypothesis and the acceptability of the model. In this analysis the beta value and p-value examines the variation explained by the model is not due to chance. Therefore the significance level of the variable that is the p- value must be less than 0.05.

**Table 14 hypothesis result**

Hypothesis Developed	Beta value	significance	Relationship	Result
H1: There is a positive relationship between communication and service quality.	.314	.000	Positive	Accepted
H2: There is a positive relationship between motivation and service quality.	-.002	.961	Insignificant	Rejected
H3: There is a positive relationship between training and service quality.	.242	.000	Positive	Accepted
H4: There is a positive relationship between job satisfaction and service quality.	.116	.013	Positive	Accepted

Source: Own Survey 2019

**H1: There is a positive relationship between communication and service quality**

Based on the coefficients multiple regression table the beta value of communication is 0.314 at 95% confidence interval ( $p < 0.05$ ) and this shows a positive relationship. Therefore there is a positive relationship between communication and service quality at the significance level less than 0.05 and the Hypothesis is accepted. This result is compatible with the findings of the Mochamd et al. (2018) and M.S.Sohali and Jichul Jang (2017). Both of this studies sated that communication has a significant and a positive relationship with service quality. The finding of this study was found to be different from that of Elsabets 2017 study. In her study communication as a dimension of IM was found to be insignificant in affecting service quality.

**H2: There is a positive relationship between motivation and service quality**

Similarly as communication the relationship between motivation and service quality was tested. Based on the result this relationship was find to be insignificant since the p value was greater than 0.05. Therefore second hypothesis of the study is rejected. This result is not supported by the findings of the previous studies conducted. Zekaria Ahmad (2016), Mochamd et.al (2018),

Arif Vaseer and Khuram Shahza (n.d) and Nnabugwu E et.al (2018) are studies reviewed in the empirical literature review and all of them found that motivation has a significant and positive relationship with service quality.

**H3: There is a positive relationship between training and service quality**

According the findings of the regression analysis training has a beta value of 0.242 at 95% confidence interval ( $p < 0.05$ ) and this shows a positive relationship. Therefore there is a positive relationship between training and service quality and the hypothesis is accepted. Zekaria Ahmad (2016), Mochamd et.al (2018), Nasser and Mentab (2016), Sara (2014) and Elsabet (2017) findings are compatible with this result. In Nnabugwu E et.al (2018) and M.S.Sohali and Jichul Jang (2017) study employee training was found to be insignificant which is different from the finding of these study.

**H4: There is a positive relationship between job satisfaction and service quality**

Just like the above hypothesis a regression analysis was run to test the relationship between job satisfaction and service quality. As it is presented on the table the beta value of job satisfaction is 0.116 at 95% confidence interval ( $p < 0.05$ ) and this shows a positive relationship. Therefore there is a positive relationship between job satisfaction and service quality and the hypothesis is accepted. Arif Vaseer and Khuram Shahza (n.d) also found that job satisfaction is positively related to service quality.

## CHAPTER FIVE

### CONCLUSION AND RECOMMENDATION

This is the last chapter of the research. In this chapter a summary of the findings, the overall conclusion, recommendations and limitation of the research is discussed. The purpose of this study was to examine the effects of internal marketing on service quality in the Ethiopian banking industry and the study was conducted on four banks ( CBE, Awash bank, cooperative bank of oromia and Adiss international bank ) that are thought to represent all aspects of the banking industry of Ethiopia.

#### 5.1 Summaries of Major Findings

Based on the data analysis the major findings are summarized as follows

- From data analysis the Cronbach's Alpha of this study for internal marketing scales was ranging from .748 - .905 and for service quality scale is .936 which shows that there is internal consistency among the variables.
- Out of the total population 29 % of the respondents were female and 71% were male. Hence the majority of the respondents were male.
- The majority of Employees are between the Ages of 21-30 which consists about 73.3% of the population of the Study and following this are Employees between the ages of 31-40 (22.9%). The rest of the population is above the age 41(3.8%).
- The education levels of the respondents were classified in to four. That is below high school, high school diploma, and first degree and above first degree. Most of the respondents are First Degree (Bachelor) holders 194 (92.4%), the second highest groups are those employees who are Above First Degree 12 (5.7%) and the last groups are respondents that have high school Diploma which accounts 7 (1.9%).
- The work experience of the respondents is also classified in to four categories. 18.1% of the respondents have experience less than two years, 43.8% between 2to 5years, 32.4% from 6 to 10 years and 5.7% of respondent have more than 10 years of work experience.

- The correlation result shows that the independent variables are significantly and positively correlated with service quality. The most correlated dimension is communication( $r=.677$ ) followed by training( $r=.621$ ), job satisfaction ( $r=.592$ ) and motivation ( $r=.503$ ).
- The result of regression analysis showed that the adjusted R Square value was .555 and this implied that IM dimensions (predictors) accounts for 55.5% of the variation in service quality which is significant. The IM variables- communication, motivation, training and job satisfaction have a beta value of .314, -.002, .242, and .116 respectively. As a result of the regression analysis only communication, training and job satisfaction has a significant and positive relationship with service quality.

## 5.2 Conclusions

This research was conducted to study the effect of internal marketing on service quality in Ethiopian banking industry. One government owned and three private banks were selected to represent the banking industry and the study is conducted through them. To study this phenomenon four internal marketing dimensions: communication, motivation, training and job satisfaction were hypothesized.

The primary objective of this study was assessing the effect of internal marketing on service quality in the Ethiopian banking industry. Accordingly, four internal marketing dimensions (communication, motivation, training and job satisfaction) were hypothesized to assess the effect on service quality. The correlation between internal marketing dimensions and service quality was tested to check the significance of their relationship. Based on the findings of the study there is significant relationship between internal marketing dimensions and service quality.

A regression analysis was carried out to investigate whether the variation in service quality is due to the internal marketing dimensions. According to the findings of the study the internal marketing dimensions i.e. communication, motivation, job satisfaction and training is responsible for the 55.5 % of variation in service quality. The specific objective of this study was to investigate the effect of communication, motivation, training and job satisfaction has on service quality. Based on the multiple regression analysis result communication, training and job satisfaction were found to have a significant relationship with service quality and the internal marketing dimension motivation were found to be insignificant.

Coefficients Result of Multiple Regressions analysis was conducted in order to examine the significance of the hypothesis and the acceptability of the model. Accordingly the following results are obtained

- Communication with beta value of .314 at 95% confidence interval ( $p < 0.05$ ) have a positive and a significant relationship. Therefore hypothesis 1 i.e. there if a positive relationship between communication and service quality is accepted.
- Motivation with a beta value of -.002 and a confidence interval greater than 95% confidence interval ( $p < 0.05$ ) where found to be insignificant. because of this results hypothesis 2 is rejected
- Training with beta value of .242 at 95% confidence interval ( $p < 0.05$ ) have a positive and a significant relationship. Hence hypothesis 3 which is there is a positive relationship between training and service quality.
- Job satisfaction beta value of .116 at 95% confidence interval ( $p < 0.05$ ) have a positive and a significant relationship. Therefore hypothesis 1 i.e. there if a positive relationship between Job satisfaction and service quality is accepted.

In general the findings of the study will provide information about the internal marketing practice in the Ethiopian banking industry. The study also gives an over view for banks on how to achieve service quality through internal marketing.

### **5.3 Recommendation**

In recent years the Ethiopian banking industry has been growing and becoming a more competitive than ever before. In this growing market it is very important for banks to provide quality service to their customers. One of the most effective ways of achieving service quality is through the implementation of internal marketing.

Hence, given the positive and significant relationship between internal marketing and service quality the following recommendation was developed to increase service quality by implementing internal marketing principles.

- Based on the findings of the study communication is highly significant factor that affect service quality. Therefore banks should develop a communication system that allows an accurate and open flow of information to pass between top management and employees and across departments. Banks should also encourage their employees

to voice their opinions and ideas and the bank should value them. To have a well functioning working environment the bank should strive to achieve a quality interrelationship between employees.

- In this study training was also found to have a significant impact on service quality. Therefore banks should stop seeing trainings as a cost and offer their employees up to date and relevant trainings. The trainings offered by the banks should enable employees to improve their interpersonal and technical skills and give them the adequate knowledge and ability to be problem solvers.
- The third and last recommendation of the research is also based on its findings. It was found that job satisfaction has a significant impact on service quality. Therefore the research recommends banks in Ethiopia provide their employees a suitable working environment, job security, equal growth and development opportunity, an attractive salary and other services to improve the satisfaction of their employees.

#### **5.4 Limitations of the study**

Every scientific research is faced with limitation and this research is not an exception in this regard. The limitations cited in here are as recommendations for future researchers who are interested in investigating the impact of internal marketing on service quality.

Although there are many internal marketing dimensions only those mentioned by authors frequently are examined. Based on this research communication, job satisfaction and training was found to be responsible for the 55.5 % variation in the service quality which indicates that there are other variables that are responsible for the variation. Therefore in order to fully examine internal marketing additional dimensions should be included to investigate its effect.

Service quality in this study is measured by using the employee's perception of service quality. The measurement is conducted by adjusting SERVPERF model so as to make the model fit to the banking sector. Employee perception of service quality could be different than that of the customers perception and this could lead to a different result. Therefore it is recommended for future researches to measure the impact of internal marketing on service quality through the perception of customer's service quality.

The other limitation of the study is the number of banks used to represent the banking industry of Ethiopia and the geographical location and number of the branches used to represent each bank. This study uses only 4 banks out of the 19 banks that exist in the Ethiopian banking industry and

only four branches from each bank that exist around Addis Ababa is used. Therefore a future researcher could include more banks in its investigation of internal marketing in the Ethiopian banking industry.

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## **Appendix 1**

### **Employee Survey Questionnaire**

**Addis Ababa University School of Commerce  
Department of Marketing Management  
(Questionnaire to Be Filled By bank Employees)**

## **Dear respondents**

I would like to thank you in advance for taking your time to fill out this questionnaire. The questionnaire is prepared to assess the impact of internal marketing on service quality for partial fulfillment of a post graduate program in marketing management at Addis Ababa University School of Commerce. The questioner contains three parts the profile of the respondent, Internal Marketing Perception and the employee's perception the quality of service provided by the bank. Your genuine answer to the questions has an immense value to the completion of this study. Therefore, please kindly indicate your response by following the direction provided. All the information that you provide will be kept strictly confidential and anonymity of your identity is guaranteed. Thus, it is not necessary to write your name.

### **Part One: - Profile of the Respondent**

**Direction:** Please select the appropriate response category by encircling the number against each question.

I. **Gender:** - 1. Female 2. Male

II. **Age:** 1. below 20 years 2. From 21-30 years 3. From 31-40 years 4. Above 41 years

### **III. Educational Level:**

1. Below High school 2. High school Diploma

3. First Degree 4. Above First Degree

### **IV. Work experience**

1. Below 2 years 2. From 2-5 years

3. From 6-10 years 4. Above 10 years

## **Part II: Internal Marketing Perception**

**Direction:** Internal marketing is a new discipline in holistic marketing with the concept that views employees as internal customers and jobs as internal products to satisfy the needs and wants of these internal customers. Please indicate your degree of agreement/disagreement with the following statements by putting checkmark (✓) on the point that best suits your agreement level from the adjacent choices.

No	Statements	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
I.	<b>Communication</b>					
1	There is accurate and open flow of information within and among different departments of the bank					
2	The bank values the ideas and suggestions of its employees					
3	Employees are encouraged to voice their opinion about their work place and problems they face					
4	The bank creates awareness on new products or service and changes in policy and procedures					
5	There is a quality interrelationship between employees of the bank					
6	There is open and one to one communication between employees and top management of the bank					
II.	<b>Motivation</b>					
1	The bank deploys various reward tools to motivate its employees					
2	The bank rewards those employees who constantly deliver excellent customer service					
3	the bank follows a personalized reward strategy that makes					

	employees feel special and encourages them to give a better service when they are rewarded					
4	The banks performance measurement and reward system is based on the employees performance					
III.	Training					
1	The bank offers training on interpersonal and technical skills that enables employees to perform their job successfully					
2	The bank employees are trained to have knowledge and the ability to recognize and solve problems to ensure high quality service					
3	The bank gives a continual training that helps employees develop a sense of confidence, reassurance and satisfaction in service delivery process					
4	All employees of the bank receive up to date and relevant trainings that capture recent changes in the banking industry.					
I.	Job Satisfaction					
1	The bank provides a suitable working environment of its employees.					

2	The employees of the bank have job security.					
3	The bank offers an equal growth and development opportunity to its employees.					
4	The bank currently offers an attractive salary than the industry's average.					

### Part III: employee perception service quality

Direction;- Please indicate your degree of agreement/disagreement with the following statements by putting checkmark (√) on the point that best suits your agreement level from the adjacent choices.

No.	Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1.	We have up-to-date equipment					
2.	The Bank has Appealing physical facilities					
3.	Employees appear Neat					
4.	Materials associated with services are visually appealing					
5	When we promised to do something by a certain time, we do so					
6	We show sincere interest on solving our customers' problems					
7	We perform services right the first time					
8	We provide services at the time required/ promised					

9	We provide correct /accurate information to our customers					
10	we provide timely service to our customers					
11	we are always willing to help our customers					
12	we are never too busy to respond to customers' needs					
13	our behavior instill confidence in our customers					
14	We can be trusted by our customers					
15	We are consistently polite to our customers					
16	We have the required knowledge to answer our customers' questions					
17	We give individual attention to our customers					
18	We have convenient working hours					
19	We have our customers' best interest at heart					
20	We understand the specific needs of our customers					

## Appendix 2- P-plots

### Model Description

#### Model Description

Model Name	MOD_1	
	1	communication
	2	motivation
Series or Sequence	3	training
	4	jobsatisfaction
	5	servicequality
Transformation	None	
Non-Seasonal Differencing		0
Seasonal Differencing		0
Length of Seasonal Period	No periodicity	
Standardization	Not applied	
	Type	Normal
Distribution	Location	estimated
	Scale	estimated
Fractional Rank Estimation	Blom's	
Method	Mean rank of tied	
Rank Assigned to Ties	values	

Applying the model specifications from MOD\_1

## Case Processing Summary

### Case Processing Summary

	communicat ion	motivati on	trainin g	Job satisfaction	Service quality
Series or Sequence Length	210	210	210	210	210
User- Missin g	0	0	0	0	0
Number of Missing Values in the Plot	0	0	0	0	0
System - Missin g	0	0	0	0	0

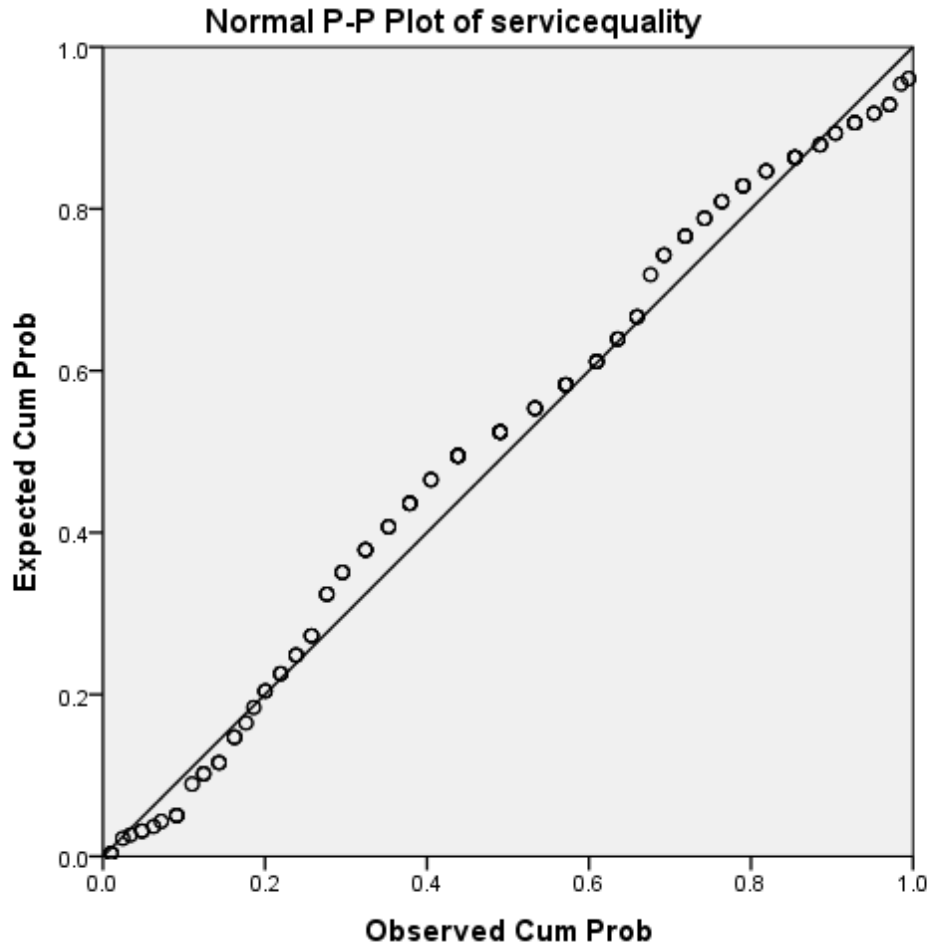
The cases are unweighted.

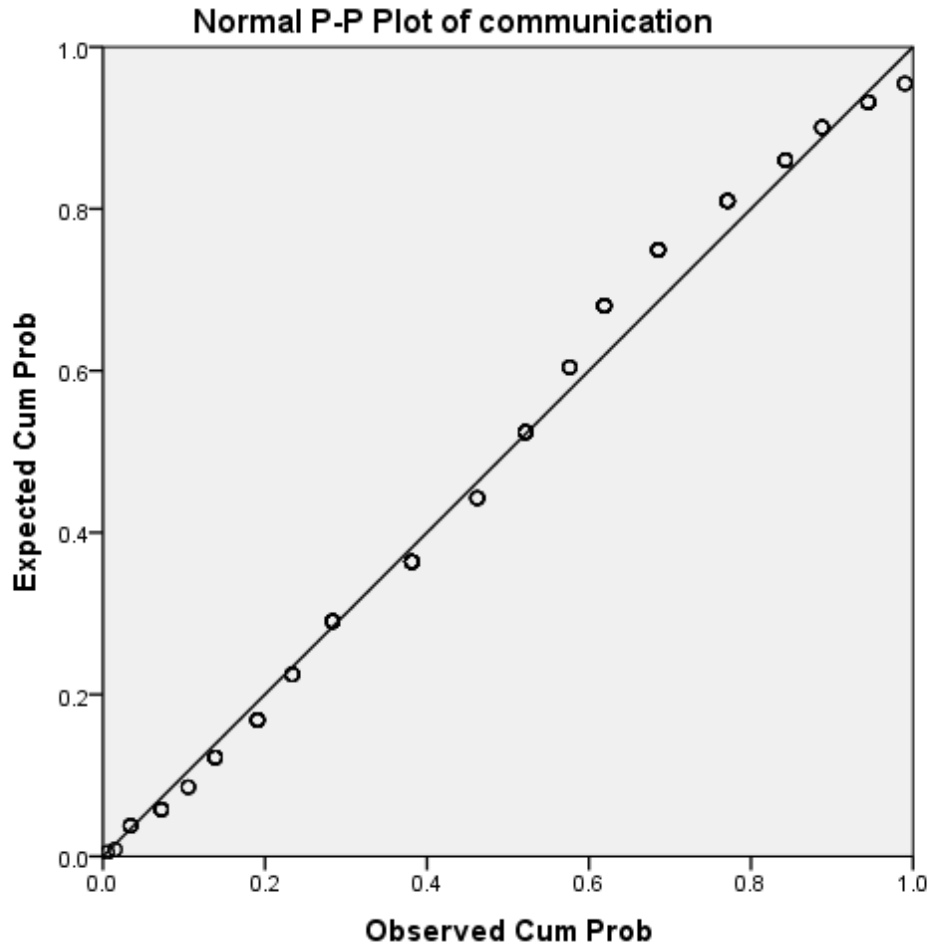
## Estimated Distribution Parameters

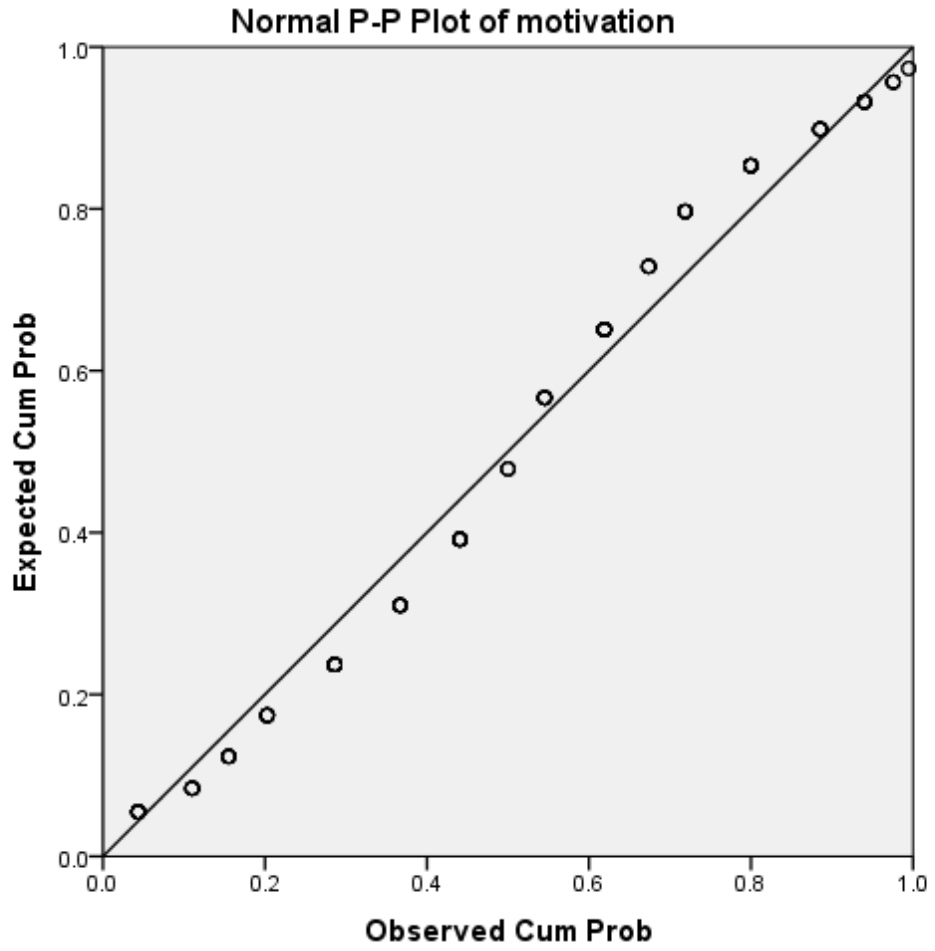
### Estimated Distribution Parameters

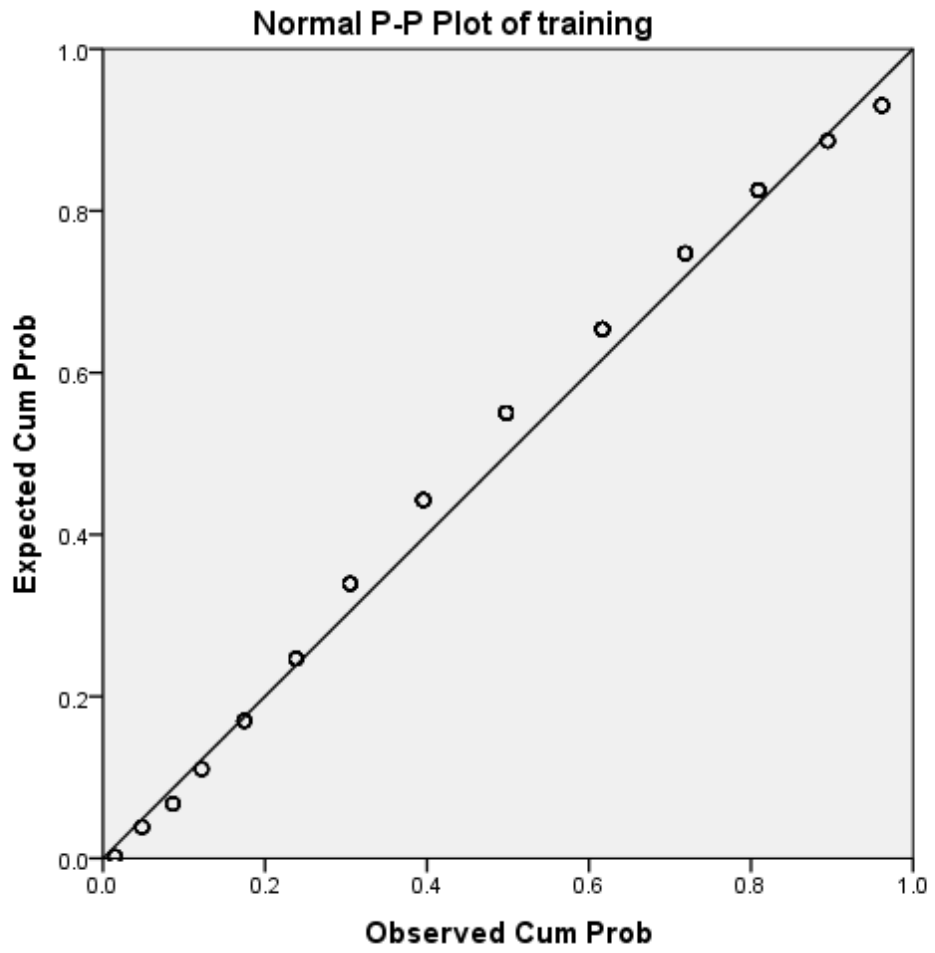
	communicati on	motivatio n	training	Job satisfaction	Service quality	
Normal Distribution	Location	3.45	2.81	3.63	2.98	3.81
	Scale	.816	1.132	.925	1.014	.676

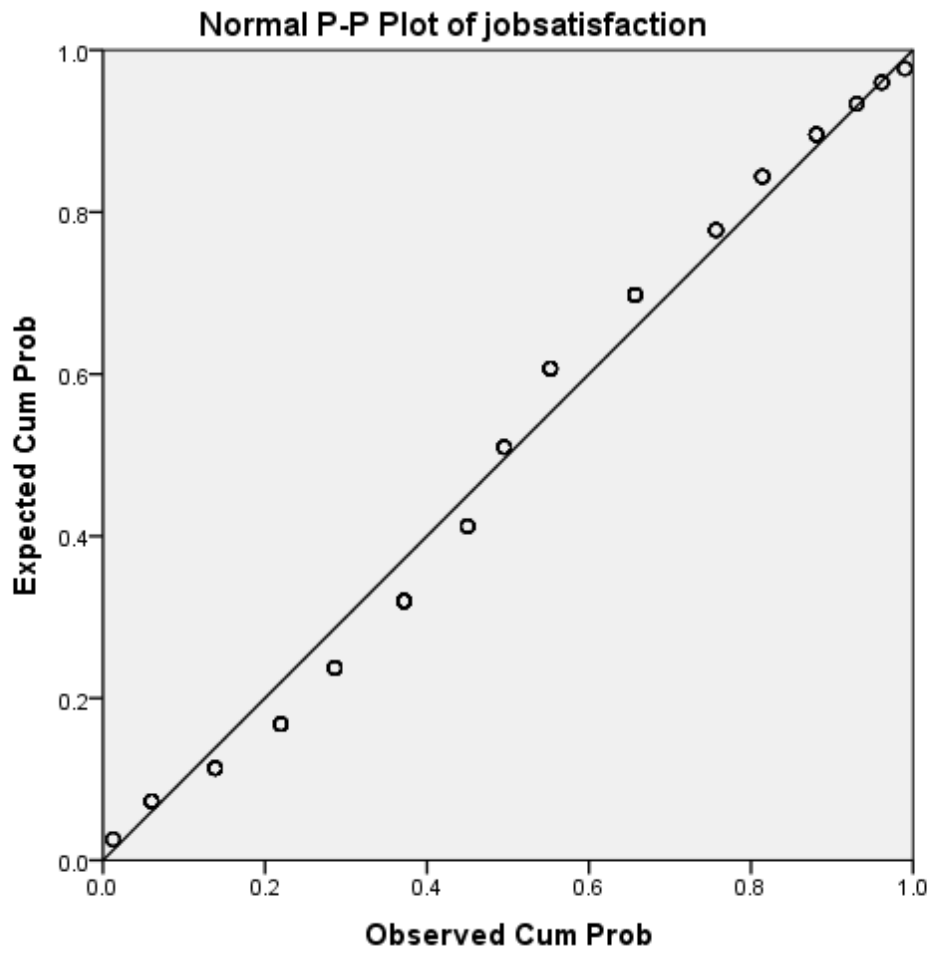
The cases are unweighted.











### Appendix 3- Correlation Output

#### Correlations

		communicati on	motivatio n	training	Job satisfaction	Service quality
communicatio n	Pearson Correlation	1	.737**	.545**	.689**	.677**
	Sig. (2-tailed)		.000	.000	.000	.000
	N	210	210	210	210	210
motivation	Pearson Correlation	.737**	1	.334**	.668**	.503**
	Sig. (2-tailed)	.000		.000	.000	.000
	N	210	210	210	210	210
training	Pearson Correlation	.545**	.334**	1	.482**	.621**
	Sig. (2-tailed)	.000	.000		.000	.000
	N	210	210	210	210	210
jobsatisfaction	Pearson Correlation	.689**	.668**	.482**	1	.592**
	Sig. (2-tailed)	.000	.000	.000		.000
	N	210	210	210	210	210
servicequality	Pearson Correlation	.677**	.503**	.621**	.592**	1
	Sig. (2-tailed)	.000	.000	.000	.000	
	N	210	210	210	210	210

\*\* . Correlation is significant at the 0.01 level (2-tailed).

**Appendix 4- Multi-collinearity Test Output**

Model	Collinearity Statistics	
	Tolerance	VIF
1 (Constant)		
1 communication	.331	3.023
1 motivation	.393	2.544
1 training	.657	1.522
1 Job satisfaction	.445	2.247

a. Dependent Variable: service quality

Source: Own Survey 2019

**Appendix 5- Regression Analysis Outputs**

**Model Summary<sup>b</sup>**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.751 <sup>a</sup>	.564	.555	.451	1.758

a. Predictors: (Constant), job satisfaction, training, motivation, communication

b. Dependent Variable: service quality

**ANOVA<sup>a</sup>**

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	53.815	4	13.454	66.162	.000 <sup>b</sup>
1 Residual	41.686	205	.203		
1 Total	95.501	209			

a. Dependent Variable: service quality

b. Predictors: (Constant), job satisfaction, training, motivation, communication

**Coefficients<sup>a</sup>**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1	(Constant)	1.507	.150		
				10.047	.000
	communication	.314	.066		
			.379	4.722	.000
	motivation	-.002	.044		
			-.004	-.049	.961
	training	.242	.042		
			.332	5.830	.000
	Job satisfaction	.116	.046		
			.174	2.513	.013

a. Dependent Variable: service quality

## Appendix 6 - Capital of the Banking System

		2013/14	2014/15	2015/16	2016/17	2017/18
Government Banks	Commercial Bank of Ethiopia	9,045.0	10,716.4	13,557.5	42,851.8	43,851.8
	Development Bank of Ethiopia	2,134.8	2,269.2	7,595.1	7,595.1	7,676.5
	Construction & Business Bank	642.1	731.2	-	-	-
Private Banks	Awash International Bank	1,979.0	2,540.3	3,191.2	3,807.6	4,210.0
	Dashen Bank	1,994.1	2,377.2	2,809.3	3,420.9	3,725.6
	Abyssinia Bank	1,326.0	1,594.3	1,838.2	2,371.0	3,265.8
	Wegagen Bank	1,825.8	2,061.9	2,431.1	2,824.5	3,195.7
	United Bank	1,334.4	1,475.0	1,814.7	2,221.0	2,579.9
	Nib International Bank	1,731.3	1,925.3	2,253.9	2,570.2	2,991.4
	Cooperative Bank of Oromia	739.9	1,058.7	1,182.7	1,281.7	1,924.6
	Lion International Bank	514.3	601.6	787.2	1,163.5	1,479.7
	Oromia International Bank	594.3	771.7	1,069.9	1,378.3	1,890.0
	Zemen Bank	529.1	650.0	800.0	1,050.7	1,391.8
	Buna International Bank	446.6	559.3	774.7	1,152.3	1,667.7
	Berhan International Bank	560.0	622.3	805.9	1,536.3	1,936.5
	Abay Bank	395.0	591.0	814.5	1,139.3	1,514.7
	Addis International Bank	227.9	399.6	569.8	688.4	789.6
	Debub Global Bank	177.3	202.6	270.9	373.1	614.3
Enat Bank	26.6	392.0	588.6	809.3	1,045.4	

Source NBE annual report (2014/15-2017/18)